

HSBC HOLDINGS PLC
Form 424B5
March 06, 2014
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CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities Offered	Aggregate Offering Price	Amount of Registration Fee⁽¹⁾
4.250% Subordinated Notes due 2024	\$2,000,000,000	\$257,600
5.250% Subordinated Notes due 2044	\$1,500,000,000	\$193,200

(1) Calculated in accordance with Rule 457(r) of the Securities Act of 1933.

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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-180288

PROSPECTUS SUPPLEMENT

(To prospectus dated March 22, 2012)

HSBC HOLDINGS PLC

\$2,000,000,000 4.250% Subordinated Notes due 2024

\$1,500,000,000 5.250% Subordinated Notes due 2044

We are offering \$2,000,000,000 principal amount of 4.250% Subordinated Notes due 2024 (such series of debt securities, the 2024 Notes) and \$1,500,000,000 principal amount of 5.250% Subordinated Notes due 2044 (such series of debt securities, the 2044 Notes). The Notes (as defined below) will be issued pursuant to an indenture, as supplemented and amended by a first supplemental indenture, in each case expected to be entered into on March 12, 2014 (together, the Indenture). We will pay interest in arrears on the Notes on March 14 and September 14 of each year, beginning on September 14, 2014, at a rate of 4.250% per annum for the 2024 Notes and at a rate of 5.250% per annum for the 2044 Notes. The 2024 Notes will mature on March 14, 2024. The 2044 Notes will mature on March 14, 2044. The Notes means either the 2024 Notes or the 2044 Notes.

By its acquisition of the Notes, each noteholder (including each beneficial owner) will acknowledge, agree to be bound by and consent to the exercise of any UK bail-in power (as defined below) by the relevant UK resolution authority (as defined below) that may result in (i) the reduction or cancellation of all, or a portion, of the principal amount of, or interest on, the Notes and/or (ii) the conversion of all, or a portion, of the principal amount of, or interest on, the Notes into our or another person s shares or other securities or other obligations, including by means of an amendment or modification to the terms of the Indenture or of the Notes to give effect to the exercise by the relevant UK resolution authority of such UK bail-in power, and the rights of the noteholders will be subject to the provisions of any UK bail-in power which are expressed to implement such a reduction, cancellation or conversion.

For these purposes, a UK bail-in power is any statutory write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of credit institutions, investment firms and their parent undertakings incorporated in the United Kingdom in effect and applicable in the United Kingdom to us or other members of the HSBC Group (as defined herein), including but not limited to the UK Banking Act 2009, as the same may be amended from time to time (whether pursuant to the UK Financial Services (Banking Reform) Act 2013 or otherwise), and any laws, regulations, rules or requirements which are implemented, adopted or enacted within the context of a European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions, investment firms and their parent undertakings, pursuant to which obligations of a credit institution, investment firm, its parent undertaking or any of its affiliates can be cancelled, written down and/or converted into shares or other securities or obligations of the obligor or any other person (and a reference to the relevant UK resolution authority is to any authority with the ability to exercise a UK bail-in power).

By purchasing the Notes, each noteholder (including each beneficial owner), to the extent permitted by the Trust Indenture Act of 1939, as amended, will waive any and all claims against The Bank of New York Mellon, as trustee, for, agree not to initiate a suit against the trustee in respect of, and agree that the trustee will not be liable for, any action that the trustee takes, or abstains from taking, in either case in accordance with the exercise of the UK bail-in power by the relevant UK resolution authority with respect to the Notes.

We may redeem the Notes in whole (but not in part) at 100% of their principal amount plus any accrued and unpaid interest to (but excluding) the date of redemption upon the occurrence of certain tax and UK regulatory events as described in this prospectus supplement under *Description of the Notes Redemption Special Event Redemption*. Any redemption of the Notes is subject to the restrictions described in this prospectus supplement under *Description of the Notes Redemption Redemption Conditions*.

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Application will be made to list the Notes on the New York Stock Exchange. Trading on the New York Stock Exchange is expected to begin within 30 days of the initial delivery of the Notes.

Investing in the Notes involves certain risks. See Risk Factors beginning on Page S-9.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the related prospectus. Any representation to the contrary is a criminal offense.

	Per 2024 Note	Total	Per 2044 Note	Total
Public Offering Price ⁽¹⁾	99.340%	\$ 1,986,800,000	98.912%	\$ 1,483,680,000
Underwriting Discount	0.450%	\$ 9,000,000	0.875%	\$ 13,125,000
Proceeds to us (before expenses)	98.890%	\$ 1,977,800,000	98.037%	\$ 1,470,555,000

(1) Plus accrued interest, if any, from March 12, 2014.

We may use this prospectus supplement and the accompanying prospectus in the initial sale of the Notes. In addition, HSBC Securities (USA) Inc. or another of our affiliates may use this prospectus supplement and the accompanying prospectus in a market-making transaction in any of these Notes after their initial sale. In connection with any use of this prospectus supplement and the accompanying prospectus by HSBC Securities (USA) Inc. or another of our affiliates, unless we or our agent informs the purchaser otherwise in the confirmation of sale, you may assume this prospectus supplement and the accompanying prospectus are being used in a market-making transaction.

The underwriters expect to deliver the Notes to purchasers in book-entry form only through the facilities of The Depository Trust Company for the accounts of its participants, including Clearstream Banking, *société anonyme* and Euroclear Bank S.A./N.V. on or about March 12, 2014.

Sole Book-Running Manager

HSBC

The date of this prospectus supplement is March 5, 2014.

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We are responsible for the information contained and incorporated by reference in this prospectus supplement, the accompanying prospectus and in any related free-writing prospectus we prepare or authorize. We have not authorized anyone to give you any other information, and we take no responsibility for any other information that others may give you. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information appearing in this prospectus supplement, the accompanying prospectus and in any related free-writing prospectus we prepare or authorize, as well as information we have previously filed with the Securities and Exchange Commission (the SEC) and incorporated by reference, is accurate on other than their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

The distribution of this prospectus supplement and the accompanying prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. This prospectus supplement and the accompanying prospectus do not constitute an offer, or an invitation on our behalf or on behalf of the underwriters or any of them, to subscribe to or purchase any of the Notes, and may not be used for or in connection with an offer or solicitation by anyone, in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

In connection with the issue of the Notes, HSBC Securities (USA) Inc. or any person acting for it may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there may be no obligation on HSBC Securities (USA) Inc. or any agent of it to do this. Such stabilizing, if commenced, may be discontinued at any time and must be brought to an end after a limited period.

This document is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the Financial Promotion Order), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations etc) of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as relevant persons). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

This prospectus supplement has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State from the requirement to produce a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this prospectus supplement as completed by final terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for us or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither we nor any of the underwriters have authorized, nor do we or any of the underwriters authorize, the making of any offer of Notes in circumstances in which an obligation arises for us or the underwriters to publish a prospectus for such offer. The expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

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CERTAIN DEFINITIONS AND PRESENTATION OF FINANCIAL AND OTHER DATA

Definitions

As used in this prospectus supplement and the accompanying prospectus, the terms *HSBC Holdings*, *we*, *us* and *our* refer to HSBC Holdings plc, *HSBC Group* and *HSBC* mean HSBC Holdings together with its subsidiary undertakings.

As used in this prospectus supplement, the *Notes* means either the 2024 Notes (as defined below) or the 2044 Notes (as defined below).

Presentation of Financial Information

The consolidated financial statements of HSBC Group have been prepared in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union (EU). EU-endorsed IFRSs could differ from IFRSs as issued by the IASB, if, at any point in time, new or amended IFRSs were to be endorsed by the EU. At December 31, 2013, there were no unendorsed standards effective for the year ended December 31, 2013 affecting these consolidated and separate financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to HSBC. Accordingly, HSBC's financial statements for the year ended December 31, 2013 were prepared in accordance with IFRSs as issued by the IASB. We use the US dollar as our presentation currency in our consolidated financial statements because the US dollar and currencies linked to it form the major currency bloc in which we transact and fund our business.

With the exception of the capital ratios presented under *HSBC Holdings plc*, the information presented in this document has been prepared in accordance with IFRSs. See *Where You Can Find More Information About Us*.

Currency

In this prospectus supplement, all references to (i) US dollars, *US\$*, *dollars* or *\$* are to the lawful currency of the United States of America, (ii) *euro* or *€* are to the lawful currency of the Member States of the EU that have adopted or adopt the single currency in accordance with the Treaty establishing the European Community, as amended, (iii) *sterling* *pounds sterling* or *£* are to the lawful currency of the United Kingdom, (iv) *BRL* are to the lawful currency of the Federative Republic of Brazil and (v) *CAD* are to the lawful currency of Canada.

LIMITATIONS ON ENFORCEMENT OF US LAWS AGAINST US, OUR MANAGEMENT AND OTHERS

We are an English public limited company. Most of our directors and executive officers (and certain experts named in this prospectus supplement and the accompanying prospectus or in documents incorporated herein by reference) are resident outside the United States, and a substantial portion of our assets and the assets of such persons are located outside the United States. As a result, it may not be possible for you to effect service of process within the United States upon these persons or to enforce against them or us in US courts judgments obtained in US courts predicated upon the civil liability provisions of the federal securities laws of the United States. We have been advised by our English solicitors, Cleary Gottlieb Steen & Hamilton LLP, that there is doubt as to enforceability in the English courts, in original actions or in actions for enforcement of judgments of US courts, of liabilities predicated solely upon the federal securities laws of the United States. In addition, awards of punitive damages in actions brought in the United States or elsewhere may not be enforceable in the United Kingdom. The enforceability of any judgment in the United Kingdom will depend on the particular facts of the case in effect at the time.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus and the documents incorporated by reference herein contain both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements may be identified by the use of terms such as believes, expects, estimate, may, intends, plan, will, should, or reasonably possible or anticipates or the negative thereof or similar expressions, or by discussions of strategy. We have based the forward-looking statements on current expectations and projections about future events. These forward-looking statements are subject to risks, uncertainties and assumptions about us. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed herein might not occur. You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of their dates. Additional information, including information on factors which may affect HSBC's business, is contained in HSBC Holdings' Annual Report on Form 20-F for the year ended December 31, 2013 filed with the SEC on February 28, 2014.

WHERE YOU CAN FIND MORE INFORMATION ABOUT US

We have filed with the SEC a registration statement (the "Registration Statement") on Form F-3 (No. 333-180288) under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the Notes offered by this prospectus supplement. As permitted by the rules and regulations of the SEC, this prospectus supplement and the accompanying prospectus omit certain information, exhibits and undertakings contained in the Registration Statement. For further information with respect to us or the Notes, please refer to the Registration Statement, including its exhibits and the financial statements, notes and schedules filed as a part thereof. Statements contained in this prospectus supplement and the accompanying prospectus as to the contents of any contract or other document are not necessarily complete, and in each instance reference is made to the copy of such contract or document filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by such reference. In addition, we file with the SEC annual reports and special reports, proxy statements and other information. You may read and copy any document we file at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, DC 20549. Please call the SEC at (800) SEC-0330 for further information on the public reference room. Documents filed with the SEC are also available to the public on the SEC's internet site at <http://www.sec.gov>.

We are incorporating by reference in this prospectus supplement and the accompanying prospectus the information in the documents that we file with the SEC, which means we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus supplement and the accompanying prospectus. We incorporate by reference in this prospectus supplement and the accompanying prospectus our Annual Report on Form 20-F for the year ended December 31, 2013 filed with the SEC on February 28, 2014.

In addition, all documents filed by us with the SEC pursuant to Sections 13(a), 13(c) or 15(d) of the US Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, to the extent expressly stated therein, certain Reports on Form 6-K furnished by us after the date of this prospectus supplement will also be deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus from the date of filing of such documents. Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for purposes of this prospectus supplement and the accompanying prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement and the accompanying prospectus and to be a part hereof from the date of filing of such document.

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You may request a copy of these documents at no cost to you by writing or telephoning us at either of the following addresses:

Group Company Secretary

HSBC Holdings plc

8 Canada Square London E14 5HQ England

Tel: +44-20-7991-8888

HSBC Holdings plc

c/o HSBC Bank USA, National Association

452 Fifth Avenue

New York, New York, 10018

Attn: Company Secretary

Tel: +1-212-525-5000

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The following summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. This summary is not complete and does not contain all of the information that may be important to you. You should read the entire prospectus supplement and the accompanying prospectus, including the financial statements and related notes incorporated by reference herein, before making an investment decision. Terms which are defined in "Description of the Notes" included in this prospectus supplement beginning on page S-21 have the same meaning when used in this summary.

Issuer	HSBC Holdings plc
Securities offered	<p>4.250% Subordinated Notes due 2024 in an aggregate principal amount of \$2,000,000,000 (such series of debt securities, the 2024 Notes).</p> <p>5.250% Subordinated Notes due 2044 in an aggregate principal amount of \$1,500,000,000 (such series of debt securities, the 2044 Notes).</p>
Issue date	March 12, 2014.
Interest	<p>Interest on the 2024 Notes will be payable semi-annually at a rate of 4.250% per annum.</p> <p>Interest on the 2044 Notes will be payable semi-annually at a rate of 5.250% per annum.</p>
Interest payment dates	Interest on the Notes will be payable in arrears on March 14 and September 14 of each year, beginning on September 14, 2014.
Maturity date	<p>The 2024 Notes will mature on March 14, 2024.</p> <p>The 2044 Notes will mature on March 14, 2044.</p>
Optional redemption	The Notes will not be redeemable at the option of the noteholders at any time.
Special event redemption	The Notes may be redeemed in whole (but not in part) at our option upon the occurrence of a Tax Event or a Capital Disqualification Event. See <i>Description of the Notes Redemption Special Event Redemption</i> . In each case, the redemption price will be equal to 100% of the principal amount plus any accrued and unpaid interest to (but excluding) the date of redemption. Any redemption of the Notes is subject to the restrictions described under <i>Description of the Notes Redemption Redemption Conditions</i> .
Agreement with respect to the exercise of UK bail-in power	By its acquisition of the Notes, each noteholder (including each beneficial owner) will acknowledge, agree to be bound by and consent to the exercise of any UK bail-in power

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(as defined below) by the relevant UK resolution authority (as defined below) that may result in (i) the reduction or cancellation of all, or a portion, of the principal amount of, or interest on, the Notes and/or (ii) the conversion of all, or a portion, of the principal amount of, or interest

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on, the Notes into our or another person's shares or other securities or other obligations, including by means of an amendment or modification to the terms of the Indenture or of the Notes to give effect to the exercise by the relevant UK resolution authority of such UK bail-in power, and the rights of the noteholders will be subject to the provisions of any UK bail-in power which are expressed to implement such a reduction, cancellation or conversion.

For these purposes, a UK bail-in power is any statutory write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of credit institutions, investment firms and their parent undertakings incorporated in the United Kingdom in effect and applicable in the United Kingdom to us or other members of the HSBC Group, including but not limited to the UK Banking Act 2009, as the same may be amended from time to time (whether pursuant to the UK Financial Services (Banking Reform) Act 2013 or otherwise), and any laws, regulations, rules or requirements which are implemented, adopted or enacted within the context of an EU directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions, investment firms and their parent undertakings, pursuant to which obligations of a credit institution, investment firm, its parent undertaking or any of its affiliates can be cancelled, written down and/or converted into shares or other securities or obligations of the obligor or any other person (and a reference to the relevant UK resolution authority is to any authority with the ability to exercise a UK bail-in power).

Repayment of principal and payment of interest after exercise of UK bail-in power

No repayment of the principal amount of the Notes or payment of interest on the Notes will become due and payable after the exercise of any UK bail-in power by the relevant UK resolution authority unless, at the time that such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by us under the laws and regulations of the United Kingdom and the EU applicable to HSBC.

Payment of additional amounts

We will pay additional amounts in respect of the Notes described under *Description of the Notes Additional Amounts*.

Subordination

The rights of the noteholders will, in the event of our winding up, be subordinated in right of payment to claims of our depositors and all our other creditors other than claims which are by their terms, or are expressed to be, subordinated to or *pari passu* with the Notes as further described under *Description of the Notes Subordination*.

Form of Notes

The Notes will be issued in the form of one or more global securities registered in the name of the nominee for, and deposited with, The Depository Trust Company ("DTC").

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Trading through DTC, Clearstream, Luxembourg and Euroclear	Initial settlement for the Notes will be made in immediately available funds. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC's rules and will be settled in immediately available funds using DTC's Same-Day Funds Settlement System. Secondary market trading between Clearstream Banking, <i>société anonyme</i> , in Luxembourg (Clearstream, Luxembourg) customers and/or Euroclear Bank S.A./N.V. (Euroclear) participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream, Luxembourg and Euroclear and will be settled using the procedures applicable to conventional eurobonds in immediately available funds.
Listing	Application will be made to list the Notes on the New York Stock Exchange in accordance with its rules.
Sinking fund	There will be no sinking fund for the Notes.
Trustee	We will issue the Notes under an indenture, as supplemented and amended by a first supplemental indenture, in each case expected to be entered into on March 12, 2014, with The Bank of New York Mellon, as trustee (the Indenture).
Use of proceeds	We will use the net proceeds from the sale of the Notes for general corporate purposes and to further strengthen our capital base pursuant to requirements under CRD IV (as defined under <i>Description of the Notes Redemption Definitions</i>).
Conflicts of interest	HSBC Securities (USA) Inc. is an affiliate of HSBC Holdings, and, as such, the offering is being conducted in compliance with the FINRA Rule 5121, as administered by the Financial Industry Regulatory Authority (FINRA).
Minimum denominations	The Notes will be issued only in registered form in minimum denominations of \$200,000 and in integral multiples of \$1,000 in excess thereof.
Business day	Any weekday, other than one on which banking institutions are authorized or obligated by law or executive order to close in London, England, or in New York City, New York.
Governing law and jurisdiction	The Indenture and the Notes will be governed by, and construed in accordance with, the laws of the State of New York, except that (i) the subordination provisions of the Indenture and of the Notes and (ii) consent to the exercise of any UK bail-in power will be governed by, and construed in accordance with, the laws of England and Wales. Any legal proceedings arising out of, or based upon, the Indenture or the Notes may be instituted in any state or federal court in the Borough of Manhattan in New York City, New York.

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RISK FACTORS

An investment in the Notes involves significant risk. Accordingly, you should consider carefully all of the information set forth in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus before you decide to invest in the Notes. Terms which are defined in Description of the Notes included in this prospectus supplement beginning on page S-21 have the same meaning when used in this section.

Risks Relating to HSBC's Business

You should read *Risk Factors* on pages 134a-134n in the Annual Report on Form 20-F for the year ended December 31, 2013 and which is incorporated by reference in this prospectus supplement, *Risk Factors* on page 5 of the accompanying prospectus and/or similar disclosure in subsequent filings incorporated by reference in this prospectus supplement, for information on risks relating to HSBC's business.

Risks Relating to the Notes

Under the terms of the Notes, you will agree to be bound by the exercise of any UK bail-in power by the relevant UK resolution authority.

By your acquisition of the Notes, you (including each beneficial owner) will acknowledge, agree to be bound by and consent to the exercise of any UK bail-in power by the relevant UK resolution authority that may result in (i) the reduction or cancellation of all, or a portion, of the principal amount of, or interest on, the Notes and/or (ii) the conversion of all, or a portion, of the principal amount of, or interest on, the Notes into our or another person's shares or other securities or other obligations, including by means of an amendment or modification to the terms of the Indenture or of the Notes to give effect to the exercise by the relevant UK resolution authority of such UK bail-in power, and your rights will be subject to the provisions of any UK bail-in power which are expressed to implement such a reduction, cancellation or conversion. For more information, see *Description of the Notes Agreement with Respect to the Exercise of UK Bail-in Power*.

As used in this prospectus supplement, the UK bail-in power includes any statutory write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of credit institutions and investment firms incorporated in the United Kingdom in effect and applicable in the United Kingdom to us or other members of the HSBC Group. Certain relevant laws and draft and proposed legislation and certain associated risks are described in more detail herein.

The Notes are the subject of the UK bail-in power, which may result in your Notes being written down to zero or converted into other securities, including unlisted equity securities.

The Notes may be subject to UK bail-in powers that are proposed to be implemented under existing or future legislative and regulatory proposals, including the RRD (as defined herein), and are subject to the UK resolution regime as it currently exists under the UK Banking Act 2009 (the *Banking Act*).

On June 6, 2012, the European Commission published a draft legislative proposal for a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (as defined under *Description of the Notes Redemption Definitions*, the *RRD*). The stated aim of the RRD is to provide resolution authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimize taxpayers' contributions to bank bail-outs and/or exposure to losses. The RRD includes a *bail-in* tool, which provides resolution authorities with powers to ensure relevant debt instruments (including Tier 2 capital instruments such as the Notes) fully absorb losses at the point of non-viability of the issuing institution. It is expected that the RRD will confer powers on the resolution authorities to require such capital instruments to be written down in part or in full and/or converted into common equity Tier 1 instruments at the point of non-viability and before any other resolution action is taken.

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The point of non-viability for such purposes is the point at which the appropriate resolution authority determines that the institution meets the conditions for resolution or will no longer be viable unless the relevant capital instruments are written down or extraordinary public support is provided and without such support the appropriate authority determines that the institution would no longer be viable.

In addition to the RRD bail-in tool, the RRD is expected to provide resolution authorities with broader powers to implement other resolution measures with respect to distressed banks, which may include (without limitation) our replacement or substitution as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity (if any) and/or the amount of interest payable and/or imposing a temporary suspension on payments) and discontinuing the listing and admission to trading of financial instruments. The RRD currently contemplates that it will be implemented in EU Member States with effect from January 1, 2015, except for the bail-in tool, which is contemplated to be implemented by January 1, 2016.

If and to the extent that the RRD is implemented so as to apply to instruments already in issue at the time of implementation, the Notes will be subject to the provisions of the RRD, including the RRD bail-in tool, in which case the Notes may be subject to a partial or full write-down or conversion to common equity Tier 1 instruments upon the occurrence of the relevant trigger event.

In addition to the RRD described above, the powers which currently exist under the Banking Act (including as more specifically described under *The relevant UK resolution authority could exercise the bail-in option in the Banking Act to impose losses on your investment in the Notes*) or the application of relevant laws, Basel III (as defined herein) (including the EU's implementation of Basel III through the CRR and the CRD (each as defined under *Description of the Notes Redemption Definitions*)) or other similar regulatory powers, could be used in such a way as to result in the Notes absorbing losses in the manner described above.

Moreover, to the extent the UK bail-in power is exercised pursuant to the RRD, the Banking Act or otherwise, we do not expect any securities issued upon conversion of your Notes to meet the listing requirements of any securities exchange, and we expect our outstanding listed securities to be delisted from the securities exchanges on which they are listed. Any securities you receive upon conversion of your Notes (whether debt or equity) likely will not be listed for at least an extended period of time, if at all, or may be on the verge of being delisted by the relevant exchange, including, for example, our ordinary shares or any Notes listed on the New York Stock Exchange or otherwise. Additionally, there may be limited, if any, disclosure with respect to the business, operations or financial statements of the issuer of any securities issued upon conversion of your Notes, or the disclosure with respect to any existing issuer may not be current to reflect changes in the business, operations or financial statements as a result of the exercise of the UK bail-in power. As a result, there may not be an active market for any securities you may hold after the exercise of the UK bail-in power.

You should consider the risk that you may lose all of your investment, including the principal amount plus any accrued interest, if the UK bail-in power is acted upon or that any remaining outstanding Notes or securities into which the Notes are converted, including our ordinary shares, may be of little value at the time of conversion and thereafter.

The relevant UK resolution authority could exercise the bail-in option in the Banking Act to impose losses on your investment in the Notes.

On December 18, 2013, the UK Financial Services (Banking Reform) Act 2013 became law in the United Kingdom and included amendments to the Banking Act to insert a bail-in option among the powers of the UK resolution authority. The bail-in option will come into force on such date as shall be stipulated by the UK Treasury.

The bail-in option was introduced as an additional power available to the UK resolution authority, to enable it to recapitalize a failed institution by allocating losses to its shareholders and unsecured creditors in a manner

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that ought to respect the hierarchy of claims in an insolvency of a relevant financial institution. The bail-in option includes the power to cancel a liability or modify the terms of contracts for the purposes of reducing or deferring the liabilities of the UK bank under resolution and the power to convert a liability from one form to another. The conditions for use of the bail-in option are generally that (i) the regulator determines the UK bank is failing or likely to fail, (ii) it is not reasonably likely that any other action can be taken to avoid the UK bank's failure and (iii) the UK resolution authority determines that it is in the public interest to exercise the bail-in power.

As a result, the bail-in provisions could be used to impose losses on you and other noteholders.

The effect of the implementation of Basel III through the CRR and the CRD in the EU and/or by the relevant authorities in the United Kingdom is uncertain and may negatively affect the value of the Notes.

On December 16, 2010, the Basel Committee on Banking Supervision issued its final guidance in relation to a revised package of capital adequacy and liquidity standards for banking organizations ("Basel III"). Basel III includes a set of eligibility criteria for Additional Tier 1 and Tier 2 capital instruments. Basel III is not legally binding in any jurisdiction but is intended to form the basis for national or regional rulemaking. The EU has implemented Basel III through two legislative acts, the CRR and the CRD, which were published in the Official Journal of the EU on June 27, 2013. The CRR entered into force on January 1, 2014 as a "regulation" and is directly applicable in the legal systems of all EU Member States without the need for transposition at the Member State level, and the UK has promulgated national legislation compliant with the CRD, as required of Member States thereunder.

There remains uncertainty with respect to the implementation of the CRD, including with respect to the amount of capital that banks will be required to hold. Moreover, Article 518 of the CRR states that if the RRD is not adopted by December 31, 2015, the European Commission should review and report whether the CRR should be amended so as to include write-down and conversion powers in order to ensure that relevant capital instruments fully absorb losses at the point of non-viability of the issuing institution and before any other resolution action is taken. Until they are fully implemented, we cannot predict the precise effects of the changes that will result from the implementation of Basel III through the CRR and the CRD on the pricing or market value of the Notes.

The circumstances under which the relevant UK resolution authority would exercise its UK bail-in power are uncertain, which may affect the value of your Notes.

The RRD is still in draft form and will be subject to implementing measures in the United Kingdom. There is considerable uncertainty regarding the specific factors beyond the goals of addressing banking crises pre-emptively and minimizing taxpayers' exposure to losses (for example, by writing down relevant capital instruments before the injection of public funds into a financial institution) which the relevant UK resolution authority would consider in deciding whether to exercise the UK bail-in power with respect to the relevant financial institution and/or securities, such as the Notes, issued by that institution. While the Banking Act provides some guidance as to how and when the bail-in option may be utilized by the relevant UK resolution authority (as described under "*The relevant UK resolution authority could exercise the bail-in option in the Banking Act to impose losses on your investment in the Notes*"), when adopted the RRD may require amendments to the bail-in option implemented under the Banking Act.

Moreover, as the final criteria that the relevant UK resolution authority would consider in exercising any UK bail-in power may provide it with discretion and there may be many factors, including factors outside of our control or not directly related to us, which could result in such a determination, you may not be able to refer to publicly available criteria in order to anticipate a potential exercise of any such UK bail-in power.

Because the RRD is currently in draft form, and in its final form the decision to exercise any UK bail-in power likely will involve the relevant UK resolution authority's discretion, it is and will be difficult to predict

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when, if at all, the exercise of any UK bail-in power may occur that would result in a principal write-off or conversion to equity, despite existing guidance with respect to the exercise of the bail-in option under the Banking Act. Accordingly, trading behavior, including prices and volatility, may be affected by the threat of bail-in and, as a result, the Notes are not necessarily expected to follow the trading behavior associated with other types of securities.

Your rights may be limited in respect of the exercise of the UK bail-in power by the relevant UK resolution authority.

Because the RRD is in draft form and is subject to change, there is uncertainty as to what protections, if any, will be available to holders of securities (including the Notes) subject to the UK bail-in power and to the broader resolution powers of the relevant UK resolution authority. For example, when the final RRD rules are implemented in the United Kingdom, they may require amendments to the bail-in option implemented under the Banking Act. Accordingly, you may have limited or circumscribed rights to challenge any decision of the relevant UK resolution authority to exercise its UK bail-in power.

Moreover, the RRD provides that resolution authorities will apply the RRD bail-in tool in accordance with the specified preference order. In particular, the RRD requires resolution authorities to write down or convert Tier 2 capital instruments (including the Notes) before applying the bail-in power to subordinated debt that does not qualify as an Additional Tier 1 or Tier 2 capital instrument (and only if the reduction of Additional Tier 1 and Tier 2 capital instruments does not sufficiently reduce the aggregate amount of liabilities that must be written down or converted). As a result, the Notes may be fully or partially written down or converted even where other subordinated debt that does not qualify as an Additional Tier 1 or Tier 2 capital instrument is not fully or partially written down or converted. This could effectively subordinate the Notes to our other subordinated indebtedness that is not Additional Tier 1 or Tier 2 capital, which would differ from the outcome in the event of our winding up. See *We may issue securities senior to, or pari passu with, the Notes.*

Other powers contemplated by the RRD, either in their current form or as may be amended, may affect the value of your investment in the Notes.

As well as the UK bail-in power, the powers currently proposed to be granted to the relevant UK resolution authority under the RRD include the power to (i) direct the sale of the firm or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with the procedural requirements that would otherwise apply; (ii) transfer all or part of the business of the firm to a bridge bank (a publicly controlled entity); and (iii) transfer impaired or problem assets to an asset management vehicle to allow them to be managed and worked out over time. The powers currently set out in the RRD would impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. There remains significant uncertainty regarding the ultimate nature and scope of these powers and, if ever implemented, how they would affect HSBC and the Notes.

Moreover, the proposed directive is not in final form and changes may be made to it in the course of the legislative process. For example, it is currently unclear to what extent, if any, the provisions of the Banking Act may need to change once the RRD is implemented. Accordingly, it is not yet possible to assess the full impact of the RRD on us and there can be no assurance that, once it is implemented, the fact of its implementation or the taking of any actions currently contemplated in it would not adversely affect your rights, the price or value of your investment in the Notes and/or our ability to satisfy our obligations under the Notes.

Other changes in law may adversely affect your rights as noteholders.

Changes in law after the date hereof may affect your rights as noteholder as well as the market value of the Notes. Such changes in law may include changes in statutory, tax and regulatory regimes during the life of the Notes, which may have an adverse effect on an investment in the Notes.

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Moreover, any change in law or regulation that would cause the Notes to cease to qualify as Tier 2 capital could trigger a Capital Disqualification Event, and any change in law or regulation that results in our having to pay additional amounts to you could trigger a Tax Event, which may entitle us to redeem the Notes, in whole (but not in part) as more particularly described under *Description of the Notes Redemption Special Event Redemption*.

Such legislative and regulatory uncertainty could also affect your ability to accurately value the Notes and, therefore, affect the trading price of the Notes given the extent and impact on the Notes that one or more regulatory or legislative changes, including those described under *Other powers contemplated by the RRD, either in their current form or as may be amended, may affect the value of your investment in the Notes* and

The relevant UK resolution authority could exercise the bail-in option in the Banking Act to impose losses on your investment in the Notes, could have on the Notes.

We may issue securities senior to, or pari passu with, the Notes.

There is no restriction on the amount of securities that we may issue that rank senior to, or *pari passu* with, the Notes. In the event of our winding up, the Notes will be subordinated in right of payment to claims of our depositors and all our other creditors (including any securities we may issue that rank senior to the Notes), other than claims which by their terms are, or are expressed to be, subordinated to, or *pari passu* with, the Notes. As a result, in the event of our winding up, you may recover from the value of our assets to satisfy your claims only after our creditors that rank senior to the Notes have been paid in full. In addition, the claims of *pari passu* creditors may reduce the amount recoverable by you. Therefore, you may lose all or some of your investment in the Notes in the event of our winding up.

We may redeem the Notes for certain tax or regulatory reasons.

We may redeem the Notes in whole (but not in part) upon the occurrence of a Tax Event or a Capital Disqualification Event, as more particularly described under *Description of the Notes Redemption Special Event Redemption*. Certain of such events may occur at any time after the issue date and it is therefore possible that we would be able to redeem the Notes at any time after the issue date.

If we redeem the Notes in any of the circumstances mentioned above, you may not be able to reinvest the redemption proceeds in securities offering a comparable yield. In addition, any early redemption of the Notes may be subject to conditions imposed by the UK Prudential Regulation Authority, regardless of whether such redemption would be favorable or unfavorable to you.

The Notes may not be a suitable investment for all investors.

You must determine the suitability (either alone or with the help of a financial adviser) of an investment in the Notes in light of your own circumstances. In particular, each potential investor should:

have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus;

have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;

have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments (US dollars) is different from the currency in which such potential investor's financial activities are principally denominated;

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understand thoroughly the terms of the Notes, such as the provisions regarding the UK bail-in power, and be familiar with the behavior of any relevant indices and financial markets and the potential impact on the Notes of the exercise of the UK bail-in power; and

be able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

You should not invest in the Notes unless you have the knowledge and expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes due to the likelihood of an exercise of the UK bail-in power and the impact this investment will have on your overall investment portfolio. Prior to making an investment decision, you should consider carefully, in light of your own financial circumstances and investment objectives, all the information contained in this prospectus supplement and the accompanying prospectus and incorporated by reference herein and therein.

Our holding company structure may mean that our rights to participate in assets of any of our subsidiaries upon its liquidation may be subject to prior claims of some of its creditors.

Because we are a holding company, our rights to participate in the assets of any subsidiary if it is liquidated will be subject to the prior claims of its creditors, except to the extent that we may be a creditor with recognized claims ranking ahead of or *pari passu* with such prior claims against the subsidiary.

The securities that we are offering constitute a new issue of securities by us and we cannot guarantee that an active public market for the securities will develop or be sustained.

The Notes being offered hereby will constitute a new issue of securities by us. Prior to our present issuance of Notes, there will have been no public market for the Notes. Although we will apply for the Notes to be listed on the New York Stock Exchange, there can be no assurance that an active public market for the Notes will develop and, if such a market were to develop, the underwriters are under no obligation to maintain such a market. The liquidity and the market prices for the Notes can be expected to vary with changes in market and economic conditions and our financial condition and prospects and other factors that generally influence the market prices of securities.

The market value of the Notes may be influenced by unpredictable factors.

Certain factors, many of which are beyond our control, will influence the value of the Notes and the price, if any, at which securities dealers may be willing to purchase or sell the Notes in the secondary market, including:

our creditworthiness from time to time;

supply and demand for the Notes; and

economic, financial, political or regulatory events or judicial decisions that affect us or the financial markets generally.

Accordingly, if you sell your Notes in the secondary market, you may not be able to obtain a price equal to the principal amount of the Notes or a price equal to the price that you paid for the Notes.

Our credit ratings may not reflect all risks of an investment in the Notes.

Our credit rating may not reflect the potential impact of all risks related to structure and other factors on any trading market for, or market value of, the Notes. However, real or anticipated changes in our credit ratings may affect the market value of the Notes. Although at the end of 2013 HSBC Holdings' long-term debt rating outlook by Fitch was stable, Moody's and Standard & Poor's rating outlooks were negative. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

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You may not be entitled to receive US dollars in a winding up.

If you are entitled to any recovery with respect to the Notes in any winding up, you might not be entitled in those proceedings to a recovery in US dollars and might be entitled only to a recovery in pounds sterling or any other lawful currency of the United Kingdom. In addition, under current English law, our liability to you would have to be converted into pounds sterling or any other lawful currency of the United Kingdom at a date close to the commencement of proceedings against us and you would be exposed to currency fluctuations between that date and the date you receive proceeds pursuant to such proceedings, if any.

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HSBC HOLDINGS PLC

HSBC is one of the largest banking and financial services organizations in the world. As at December 31, 2013, we had total assets of US\$2,671 billion and total shareholders' equity of US\$182 billion. For the year ended December 31, 2013, our operating profit was US\$20,240 million on total operating income of US\$78,337 million, as compared to our operating profit of US\$17,092 million on total operating income of US\$82,545 million for the year ended December 31, 2012. We are a strongly capitalized banking group with a core tier 1 capital ratio of 13.6% and an estimated CRD IV end-point basis common equity tier 1 ratio of 10.9% as at December 31, 2013.

Headquartered in London, HSBC operates through long-established businesses and has an international network of some 6,300 offices in 75 countries and territories in six geographical regions: Europe; Hong Kong; Rest of Asia-Pacific; the Middle East and North Africa; North America and Latin America. Within these regions, a comprehensive range of banking and related financial services is offered to personal, commercial, corporate, institutional, investment and private banking clients. Our products and services are delivered to clients through four global businesses, Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets and Global Private Banking.

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USE OF PROCEEDS

We will use the net proceeds from the sale of the Notes for general corporate purposes and to further strengthen our capital base pursuant to requirements under CRD IV.

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CONSOLIDATED CAPITALIZATION AND INDEBTEDNESS OF HSBC HOLDINGS PLC

The following table shows the consolidated unaudited capitalization, indebtedness and share capital position of HSBC Holdings and our subsidiary undertakings as at December 31, 2013:

	Issued and Fully Paid US\$m
Called up Share Capital	
Ordinary shares (of nominal value US\$0.50 each)	9,415