

**SECOND SUPPLEMENT DATED 17 JUNE 2011  
TO THE BASE PROSPECTUS DATED 5 OCTOBER 2010**



**HSBC France**

**€20,000,000,000**

**Euro Medium Term Note Programme**

This second supplement (the "**Second Supplement**") is supplemental to and should be read in conjunction with the Base Prospectus dated 5 October 2010 as supplemented by the first supplement thereto dated 26 May 2011 (the "**First Supplement**") (together the "**Base Prospectus**") in relation to the €20,000,000,000 Euro Medium Term Note Programme of HSBC France (the "**Issuer**") and approved by the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") for the purposes of Article 5.4 of Directive 2003/71/EC (the "**Prospectus Directive**") and Article 8.4 of the Luxembourg Law on Prospectuses for Securities dated 10 July 2005 (the "**Luxembourg Law**").

Unless the context otherwise requires, terms defined in the Base Prospectus shall have the same meaning when used in this Supplement.

This Supplement constitutes a Supplement to the Base Prospectus for the purposes of Article 13 of chapter 1 of Part II of the Luxembourg Law for the purposes of updating certain information contained in the Base Prospectus as described below.

To the extent that there is any inconsistency between (a) any statement in this Supplement and (b) any statement in the Base Prospectus, the statements in (a) above will prevail.

In accordance with Article 13 paragraph 2 of the Luxembourg Law, investors who have already agreed to purchase or subscribe for the securities before this Supplement is published have the right, exercisable within a time limit of two working days after the publication of this supplement, to withdraw their acceptances.

This Supplement will be published on the Luxembourg Stock Exchange's website [www.bourse.lu](http://www.bourse.lu) and on the website of the Issuer ([www.hsbc.fr](http://www.hsbc.fr)).

This Supplement has also been prepared for the purpose of making certain modifications to the taxation section of the Base Prospectus.

The Issuer accepts responsibility for the information contained in this Supplement. The Issuer confirms that, having taken all reasonable care to ensure that such is the case, the information contained or incorporated by reference in this Supplement is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

**TAXATION**

The following wording on page 112 of the section entitled "TAXATION" of the Base Prospectus is deleted in its entirety:

*The following is a summary limited to certain tax considerations in France and Luxembourg relating to the Notes that may be issued under the Programme and specifically contains information on taxes on the income from the securities withheld at source. This summary is based on the laws in force in France and Luxembourg as of the date of this Base Prospectus and is subject to any changes in law. It does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes. Each prospective holder or beneficial owner of Notes should consult its tax advisor as to the tax consequences of any investment in or ownership and disposition of the Notes.*

and replaced by the following wording:

*The following is a summary limited to certain tax considerations in France, Luxembourg and Austria relating to the Notes that may be issued under the Programme and specifically contains information on taxes on the income from the securities withheld at source. This summary is based on the laws in force in France, Luxembourg and Austria as of the date of this Base Prospectus and is subject to any changes in law. It does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes. Each prospective holder or beneficial owner of Notes should consult its tax advisor as to the tax consequences of any investment in or ownership and disposition of the Notes.*

The following is inserted into page 115 of the section entitled "Taxation" of the Base Prospectus:

#### **4. AUSTRIAN TAXATION**

The following is a brief description of certain Austrian tax implications relating to the Notes based upon Austrian tax law currently in effect. It does not take into account any double taxation situation between Austria and the country of residence or domicile of the individual investor and does not address tax laws of other states. In particular, no responsibility is assumed for any future changes in Austrian tax law, its interpretation by the Austrian tax authorities, the tax courts and the Austrian Supreme Courts. This description does not purport to address all aspects of Austrian taxation that may be relevant for the holders of Notes. For their particular case, prospective holders of Notes should consult their advisors as to Austrian tax consequences of the acquisition, ownership and disposition of the Notes under their particular circumstances.

##### **4.1 General remarks**

Individuals resident in Austria are subject to Austrian income tax (*Einkommensteuer*) on their worldwide income (unlimited income tax liability). Individuals qualify as residents if they have either their permanent domicile and/or their habitual abode in Austria. Otherwise, they are non-resident individuals subject to income tax only on income from certain Austrian sources (limited income tax liability).

Corporations resident in Austria are subject to Austrian corporate income tax (*Körperschaftsteuer*) on their worldwide income (unlimited corporate income tax liability). Corporations qualify as residents if they have their place of effective management and/or their legal seat in Austria. Otherwise they are non-resident corporations subject to corporate income tax only on income from certain sources (limited corporate income tax liability).

Both, in case of unlimited and limited (corporate) income tax liability Austria's right to levy taxes may be restricted by double taxation treaties.

## **4.2 Interest payments**

In general, income derived from the Notes qualifies as taxable investment income from debt instruments (*Kapitalerträge aus Forderungswertpapieren*) pursuant to section 93 para 3 of the Austrian Income Tax Act 1988 ("ITA") and is subject to interest tax (*Kapitalertragsteuer*) of presently 25 per cent.. This tax is in principle final (*Endbesteuerung*), which means that no further taxation is made on such investment income, provided the Notes have in the course of their issue been legally and factually offered to an indefinite number of persons.

In Austria, interest payments in respect of the Notes to non-residents (within the meaning of the respective Austrian tax law) in accordance with the Terms and Conditions of the Notes will not be subject to deductions for any Austrian income tax including any Austrian withholding tax, as long as interest payments to the holders of the Notes are made by offices (paying office – "*auszahlende Stelle*") located outside of Austria.

If interest payments to the holders of the Notes are made by an office located in Austria or by the Issuer (having its place of effective management and/or legal seat in Austria) directly, a non-resident of Austria (except for individuals having their residence in another EU-member state; see below under "EU Savings Tax Directive") would have to disclose his identity and foreign address and supply corroborating evidence thereof and an Austrian resident would have to issue a statement – if applicable – to the fact, that the interest received is the income of a commercial enterprise subject to taxation in Austria in order to prevent the Austrian interest tax being deducted.

The holding of Notes in a clearing system has no influence on the tax treatment of the actual Holder.

In relation to Zero Coupon Notes, the difference between the issue price and the redemption price or the purchase price will be considered taxable income. The same treatment as stated in the preceding paragraph applies to the taxation of such capital income. Taxation, if any, only takes place at maturity or upon prior redemption or sale of the Notes.

## **4.3 Capital gains**

According to Austrian tax law capital gains trigger taxation, if they qualify as income from trade or business, which generally is the case when realised by a (corporate) undertaking.

Capital gains realised by private individuals (and certain types of corporate entities such as private-law foundations) are only taxed, if the capital gains qualify as income resulting from a speculative transaction. Any disposition of Notes will be deemed to be a speculative transaction if made within one year of their acquisition ("speculative period").

Private holders of Notes who are non-residents of Austria have as yet not been subjected to Austrian tax on capital gains derived from the sale of the Notes.

## **4.4 Recent developments – New Capital Gains Tax**

On 31 December 2010, Austria's Federal Budget Implementation Act for the years 2011 to 2014 entered into force which by way of amendments to the ITA introduced a new tax on "realised" capital gains

("Einkünfte aus realisierten Wertsteigerungen von Kapitalvermögen"). This new tax will apply to capital gains stemming from the sale or redemption of securities, including securities such as Notes under the Programme, irrespective of whether they have been held as business or non-business assets and irrespective of whether the profits have been realised within a particular holding period (*cf.* the speculative period referred to above under "Capital gains", second paragraph).

Such profits are subjected to a special tax rate of 25 per cent.

This capital gains tax is final (*Endbesteuerung*), which means that no further taxation is made on such capital gains and that they do not have to be declared as income in other tax declarations of the taxpayer. However, as regards profits from debt instruments, such as Notes under the Programme, the special tax rate (as opposed to the individual tax rate of an investor) applies only in case the instruments have in the course of their issue been offered to an undetermined number of people ("public offer").

Further, in its international dimension this capital gains tax applies in case either the custodian office ("*depotführende Stelle*") or the paying office ("*auszahlende Stelle*") is located in Austria. In most cases the paying office will be the part of the bank with which the investor maintains his securities account. The custodian office or, if applicable, the paying office will be responsible for deduction of the capital gains tax and its transfer to the respective Austrian tax office.

The amendments to the ITA relating to the new capital gains tax will become effective on 1 October 2011 and will affect debt instruments, such as Notes under the Programme, if purchased after 30 September 2011. As regards income from debt instruments purchased on or before this date, the present tax regime continues to apply.

Due to the lack of administrative practice, the information on Austria's newly enacted capital gains tax is mainly based on the wording of the law and on the explanatory notes thereto.

Moreover, it should be noted that the capital gains tax has been challenged with uncertain outcome by Austrian banks before the Constitutional Court of Austria. Therefore, the coming into effect of the new capital gains tax in its entirety (all aspects of it) is not sure and may possibly be postponed.

#### **4.5 Implementation of the EU Savings Tax Directive in Austria**

In Austria, provisions for implementing the EU Savings Tax Directive have been enacted by the Austrian parliament (*EU-Quellensteuergesetz* – EU Withholding Tax Act). These provisions apply since 1 July 2005.

Individuals who are residents of EU Member States have to provide a certificate of their home tax office in order to prevent the Austrian EU-Withholding Tax being deducted.