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CHAIRMAN'S CORRESPONDENCE UNIT

**Douglas J Flint CBE**
*Group Finance Director*

Chairman Christopher Cox
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

15 January 2009

Dear Chairman Cox,

We were pleased to receive the Commission's proposed rule *Roadmap for the potential use of financial statements prepared in accordance with International Financial Reporting Standards by U.S. issuers,* which was issued on 14 November 2008.

HSBC is one of the largest banking and financial services organisations in the world, operating in 85 countries with market capitalisation of US$185 billion at 30 June 2008. In 2008, HSBC was named the number one company in the *Forbes* 2000 list of the world's largest companies, and the number one bank of *The Banker's* Top 1000 World Banks 2008, for total tier 1 capital. HSBC Holdings plc ("HSBC") has been a registrant since 1999 and has filed financial statements prepared under IFRSs as issued by the IASB since our 2005 annual report and accounts, filed in 2006. In 2008, HSBC included financial statements in accordance with IFRSs (without reconciliation to U.S. GAAP) in its annual report filed with the SEC as permitted by recent amendments to Form 20-F.

Two of our U.S. based subsidiaries, HSBC USA Inc. and HSBC Finance Corporation, have debt registered with the SEC and currently file financial statements prepared under U.S. GAAP to meet their respective SEC reporting requirements. Like all subsidiaries of HSBC, our U.S. subsidiaries use IFRSs for internal reporting purposes and are managed on an IFRS basis. Under the criteria proposed in the IFRS roadmap, only those U.S. issuers that are among the 20 largest companies globally in a particular industry, based on market capitalisation, would be eligible for the early adoption of IFRSs. As the proposal is currently written, we believe our U.S. subsidiaries would be precluded from early adoption because they only have registered debt and therefore do not have a recognised market capitalisation to meet this requirement.

HSBC believes that wholly-owned subsidiaries of foreign private issuers that prepare financial statements in accordance with IFRSs as issued by the IASB should be included in the pool of issuers that are permitted to early adopt the use of IFRSs.

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HSBC believes there are a number of reasons to support this extension. First, we believe the full use of IFRSs by U.S. subsidiaries of foreign private issuers would provide better transparency for investors by providing a single basis of preparation that is consistent with the way senior management view the businesses and allocate resources therein. The IFRS basis is also consistent with the way analysts and rating agencies view the consolidated results of the parent company.

Second, the full use of IFRSs would reduce the extensive record keeping and system requirements necessary to prepare financial statements under two different sets of accounting standards. The current cost burden of preparing financial data under both sets of accounting standards continues to increase as new standards and reporting requirements are issued.

Last, subsidiaries of foreign private issuers that currently use IFRSs are more likely to be familiar with the application of IFRSs and have access to the global infrastructure and support systems of their parent company, which include knowledge on the transition to, and first time application of, IFRSs. Such experience would ensure a timely transition to high-quality IFRS statements and would greatly expand the number of issuers that would feasibly be able to early adopt IFRSs, which will help to broaden the awareness and attention given to IFRSs in the U.S. market. In addition, such transition would create additional demand for IFRS-related services within financial services firms in the U.S. Moreover, allowing wholly-owned subsidiaries of foreign private issuers to early adopt IFRSs is a logical extension of the SEC's allowance of foreign private issuers using IFRSs to meet their SEC reporting requirements.

HSBC continues to support the move to a single set of high quality global accounting standards, which we believe would provide better information to investors by providing globally comparable financial information. We hope the Commission will consider our comments and broaden the scope of the early adoption criteria in order to include wholly-owned U.S. subsidiaries of foreign private issuers.

Yours sincerely,

Douglas Flint

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