UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

LAWRENCE E. JAFFE PENSION PLAN, ON BEHALF OF ITSELF AND ALL OTHERS SIMILARLY SITUATED, Plaintiffs, - *against* - HOUSEHOLD INTERNATIONAL, INC., ET AL., Defendants.	Lead Case No. 02-C-5893 (Consolidated) CLASS ACTION Judge Ronald A. Guzmán

DECLARATION OF JOAN COPPENRATH

REDACTED VERSION OF DOCUMENT FILED UNDER SEAL PURSUANT TO PROTECTIVE ORDER DATED NOVEMBER 5, 2004 AND MINUTE ORDER DATED OCTOBER 10, 2006

STATE OF ILLINOIS)
: ss.:
COUNTY OF LAKE)

I, JOAN COPPENRATH, declare as follows:

1. I am the President, Chief Financial Officer, and Treasurer of HSBC Auto Finance Inc., a subsidiary of HSBC Finance Corporation ("HSBC Finance Corp."). During all time periods relevant to the facts described in this declaration, I have provided Chief Financial Officer oversight of HSBC Auto Finance Inc.

2. I have reviewed Plaintiffs' Motion for Entry of Judgment ("Plaintiffs' Motion"). I have been asked by Counsel to respond to certain contentions set forth in Plaintiffs'

Motion relating to certain asset sales in the time period 2008 through the present (the "Relevant Time Period").

3. Based on my personal knowledge and review of pertinent transaction records, I submit this declaration to place before the Court certain information and documents demonstrating that the sale of auto finance receivables to HSBC Bank USA, N.A. ("HSBC Bank USA") discussed in Plaintiffs' Motion was done for fair market value as verified by independent third parties.

4. Plaintiffs' Motion questions Household's "bulk sale of $15.4 billion in better quality credit card and auto receivables to an HSBC affiliate, HSBC Bank USA." (Pl. Br. at 4.)

5. The $15.4 billion bulk sale consisted of two types of transactions: 1) $3.0 billion sale of auto finance receivables; and 2) $12.4 billion sale of credit card receivables. (HSBC Finance Corp. 2009 Form 10-K, at 7-8, 30, dated March 1, 2010, annexed hereto as Ex. Coppenrath 1.) I address here only the $3.0 billion sale of auto finance receivables. I understand the $12.4 billion sale of credit card receivables will be addressed by Michael Reeves in a separate declaration.

6. [redacted]

7. [redacted]

[redacted]

8. [redacted]

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed this 15th day of April, 2010, in Mettawa, Illinois.

Joan Coppenrath

Ex. Coppenrath 1

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ________

Commission file number 1-8198

HSBC FINANCE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**86-1052062**
(State of incorporation)	**(I.R.S. Employer Identification No.)**
26525 North Riverwoods Boulevard, Mettawa, Illinois	**60045**
(Address of principal executive offices)	**(Zip Code)**

(224) 544-2000

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Floating Rate Notes due March 12, 2010	New York Stock Exchange
4.625% Notes due September 15, 2010	New York Stock Exchange
5.25% Notes due January 14, 2011	New York Stock Exchange
6¾% Notes due May 15, 2011	New York Stock Exchange
5.7% Notes due June 1, 2011	New York Stock Exchange
Floating Rate Notes due April 24, 2012	New York Stock Exchange
5.9% Notes due June 19, 2012	New York Stock Exchange
Floating Rate Notes due July 19, 2012	New York Stock Exchange
Floating Rate Notes due September 14, 2012	New York Stock Exchange
Floating Rate Notes due January 15, 2014	New York Stock Exchange
5.25% Notes due January 15, 2014	New York Stock Exchange
5.0% Notes due June 30, 2015	New York Stock Exchange
5.5% Notes due January 19, 2016	New York Stock Exchange
Floating Rate Notes due June 1, 2016	New York Stock Exchange
6.875% Notes due January 30, 2033	New York Stock Exchange
6% Notes due November 30, 2033	New York Stock Exchange
Depositary Shares (each representing one-fortieth share of 6.36% Non-Cumulative Preferred Stock, Series B, no par, $1,000 liquidation preference)	New York Stock Exchange
Guarantee of Preferred Securities of HSBC Capital Trust IX	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of February 26, 2010, there were 65 shares of the registrant's common stock outstanding, all of which are owned by HSBC Investments (North America) Inc.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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PART I

Item 1. Business.

Organization History and Acquisition by HSBC

HSBC Finance Corporation traces its origin to 1878 and operated as a consumer finance company under the name Household Finance Corporation ("HFC") for most of its history. In 1981, HFC shareholders approved a restructuring that resulted in the formation of Household International, Inc. ("Household") as a publicly held holding company and HFC became a wholly-owned subsidiary of Household. For a period, Household diversified its operations outside the financial services industry, but returned solely to consumer finance operations through a series of divestitures in the 1980's and 1990's.

On March 28, 2003, Household was acquired by HSBC Holdings plc ("HSBC" or "HSBC Group") by way of merger with H2 Acquisition Corporation ("H2"), an indirect wholly owned subsidiary of HSBC, in a purchase business combination. Following the merger, H2 was renamed "Household International, Inc." Subsequently, HSBC transferred its ownership interest in Household to a wholly owned subsidiary, HSBC North America Holdings Inc. ("HSBC North America"), which subsequently contributed Household to its wholly-owned subsidiary, HSBC Investments (North America) Inc. ("HINO").

On December 15, 2004, Household merged with its wholly owned subsidiary, HFC. By operation of law, following the merger, all obligations of HFC became direct obligations of Household. Following the merger, Household changed its name to HSBC Finance Corporation.

HSBC North America Operations

HSBC North America was the holding company for HSBC's operations in the United States and Canada at December 31, 2009. The principal subsidiaries of HSBC North America at December 31, 2009 were HSBC Finance Corporation, HSBC Bank Canada, a Federal bank chartered under the laws of Canada ("HBCA"), HSBC USA Inc. ("HUSI"), a U.S. bank holding company, HSBC Markets (USA) Inc., a holding company for investment banking and markets subsidiaries and HSBC Technology & Services (USA) Inc. ("HTSU"), a provider of information technology and centralized operational and support services including human resources, corporate affairs and other services shared among the subsidiaries of HSBC North America which beginning in 2010, will also include tax, finance, compliance and legal. In late January 2010, HBCA was sold to an affiliate and is no longer a subsidiary of HSBC North America. HUSI's principal U.S. banking subsidiary is HSBC Bank USA, National Association (together with its subsidiaries, "HSBC Bank USA"). Under the oversight of HSBC North America, HSBC Finance Corporation works with its affiliates to maximize opportunities and efficiencies in HSBC's operations in the United States. These affiliates do so by providing each other with, among other things, alternative sources of liquidity to fund operations and expertise in specialized corporate functions and services. This has been demonstrated by purchases and sales of receivables between HSBC Bank USA and HSBC Finance Corporation and a pooling of resources within HTSU to provide shared, allocated support functions to all HSBC North America subsidiaries. In addition, clients of HSBC Bank USA and other affiliates are investors in HSBC Finance Corporation's debt and preferred securities, providing significant sources of liquidity and capital to HSBC Finance Corporation. Historically, HSBC Securities (USA) Inc., a Delaware corporation, registered broker dealer and a subsidiary of HSBC Markets (USA) Inc., has led or participated as underwriter of any domestic issuances of HSBC Finance Corporation's term corporate and asset backed securities. While HSBC Finance Corporation has not received advantaged pricing, any underwriting fees and commissions payable to HSBC Securities (USA) Inc. benefit HSBC as a whole.

HSBC Finance Corporation – General

HSBC Finance Corporation's subsidiaries provide lending products to middle-market consumers in the United States and HSBC Finance Corporation is the principal fund raising vehicle for the operations of its subsidiaries. In this Form 10-K, HSBC Finance Corporation and its subsidiaries are referred to as "we," "us" or "our."

Our lending products currently include MasterCard[(1)], Visa[(1)], American Express[(1)] and Discover[(1)] credit card receivables as well as private label receivables. A portion of new credit card and all new private label receivable originations are sold on a daily basis to HSBC Bank USA. We also offer specialty insurance products in the United States and Canada as well as tax refund anticipation loans and other related products in the United States. Historically, we have also provided several other types of loan products in the United States including real estate secured, personal non-credit card loans and auto finance loans, all of which we no longer originate.

In early March 2009, we announced the discontinuation of new customer account originations for all products offered by our Consumer Lending business and closed approximately 800 Consumer Lending branch offices. In November 2009, we entered into an agreement to sell our auto loan servicing operations to Santander Consumer USA Inc. ("SC USA") as well as an aggregate $1.0 billion of delinquent and non-delinquent auto loans. Approximately $400 million of these auto loans will be purchased by us from HUSI prior to the closing. We also entered into an agreement under which SC USA will service the remainder of our U.S. auto loan portfolio, including those auto loans serviced for HSBC Bank USA. The transaction is currently expected to close in the first quarter of 2010. For a full discussion, see the "2009 Events" section of Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") and Note 5, "Strategic Initiatives," in the accompanying consolidated financial statements.

Additionally, in January 2009, we sold our GM Card® ("GM") MasterCard receivable portfolio and our Union Plus® ("UP") MasterCard/Visa receivable portfolios to HSBC Bank USA. We retained the customer account relationships and by agreement we sell additional receivable originations generated under existing and new accounts to HSBC Bank USA on a daily basis at a sales price for each type of portfolio determined using a fair value which is calculated semi-annually. We continue to service the receivables sold to HSBC Bank USA for a fee. In January 2009, we also sold certain auto finance receivables to HSBC Bank USA and will continue to service these auto finance receivables for a fee until the sale of our auto loan servicing operations to SC USA which is expected to occur in the first quarter of 2010.

Until May 2008, when we sold our United Kingdom business to an affiliate, we also offered consumer loans and insurance products in the United Kingdom and the Republic of Ireland. The insurance operations in the United Kingdom were sold November 1, 2007 to Aviva plc and its subsidiaries ("Aviva") and from that time until May 2008, we distributed our insurance products in the United Kingdom through our branch network but they were underwritten by Aviva. Prior to the sale of our Canadian operations to an affiliate in November 2008, we also provided consumers several types of loan products in Canada. For a full discussion of the discontinued operations of the United Kingdom and Canadian businesses, see Note 3, "Discontinued Operations" in the accompanying consolidated financial statements. Prior to November 2006, when we sold our interests to an affiliate, we also offered consumer loans in Slovakia, the Czech Republic and Hungary.

Funding

Traditionally, we have funded our operations both domestically and globally, using a combination of capital market and affiliate debt, preferred equity, sales of consumer receivables, borrowings under secured financing facilities, cash generated from operations and, as necessary, through capital contributions from our parent. Our primary sources of funding in 2009 were collecting receivable balances, generating cash from operations, issuing commercial paper and medium-term debt, borrowing under secured financing facilities, selling consumer receivables and receiving capital contributions from HINO, our immediate parent.

On October 3, 2008, the United States Congress enacted the Emergency Economic Stabilization Act of 2008 (the "EESA") with the stated purpose of providing stability to and preventing disruption in the economy and financial system and protecting taxpayers. Pursuant to or in conjunction with the EESA, in 2008 and throughout 2009, the U.S. Department of the Treasury and the federal banking and thrift regulatory agencies announced a series of

[(1)] MasterCard is a registered trademark of MasterCard International Incorporated (d/b/a MasterCard Worldwide); Visa is a registered trademark of Visa, Inc.; American Express is a registered trademark of American Express Company and Discover is a registered trademark of Discover Financial Services.

initiatives intended to strengthen market stability, improve the strength of financial institutions and enhance market liquidity. The only program under the EESA in which we participated was the Commercial Paper Funding Facility ("CPFF") which provided a liquidity backstop to U.S. issuers of commercial paper. We have not issued commercial paper under the CPFF since February 2009. See the "Liquidity and Capital Resources" section in the MD&A for a further discussion of our participation in the CPFF.

A detailed description of our sources of funding of our operations are set forth in the "Liquidity and Capital Resources" and "Off Balance Sheet Arrangements and Secured Financings" sections of the MD&A.

We use the cash generated by these financing activities to service our debt obligations, to originate new credit card and private label receivables and to pay dividends to our preferred stockholders and, as available and appropriate, to our parent.

Our long-term debt, preferred stock and commercial paper have been assigned investment grade ratings by three of the nationally recognized statistical rating organizations. For a detailed listing of the ratings that have been assigned to HSBC Finance Corporation at December 31, 2009, see the "Liquidity and Capital Resources" section of the MD&A.

Employees and Customers

At December 31, 2009, we had approximately 11,900 employees. Effective as of January 1, 2010, we had approximately 10,400 employees as a result of the transfer of certain staff function employees to HTSU which provides shared, allocated support services to all HSBC North America subsidiaries, including HSBC Finance Corporation.

At December 31, 2009, we had over 37.2 million customers. Some of these customers are customers of more than one of our businesses. Consumers residing in the State of California accounted for 11 percent of our consumer receivables. We also have significant concentrations of domestic consumer receivables in Florida (7 percent), New York (7 percent), Pennsylvania (5 percent) and Ohio (5 percent).

Operations

We have two reportable segments: Card and Retail Services and Consumer. Our segments are managed separately and are characterized by different middle-market consumer lending products, origination processes and locations. Our segment results are reported on a continuing operations basis. For additional financial information relating to our business and our operating segments, see the section "Segment Results – IFRS Management Basis" in the MD&A and Note 24, "Business Segments" in the accompanying consolidated financial statements.

Our Card and Retail Services segment includes our MasterCard, Visa, American Express and Discover credit card as well as our private label credit card operations. The Card and Retail Services segment offers these products throughout the United States primarily via strategic affinity and co-branding relationships, merchant relationships and direct mail. We also offer products and provide customer service through the Internet.

Our Consumer segment consists of our run-off Consumer Lending, Mortgage Services and Auto Finance businesses. The Consumer segment provided real estate secured, auto finance and personal non-credit card loans. Loans were offered with both revolving and closed-end terms and with fixed or variable interest rates. Loans were originated through branch locations and direct mail. Products were also offered and customers serviced through the Internet. Prior to the first quarter of 2007, through our Mortgage Services business we acquired loans from correspondent lenders and prior to September 2007 we also originated loans sourced through mortgage brokers. The Auto Finance business originated auto loans through its dealer and direct-to-consumer origination channels until these originations were discontinued in 2008. Originations and refinancings of auto loans through the autos-in-branches program in our Consumer Lending branch offices were discontinued in January 2009. As a result of these discontinuations, no new loans have been originated by the Auto Finance business since the beginning of 2009. While these businesses are operating in run-off mode, they have not been reported as discontinued operations because we continue to generate cash flow from the ongoing collections of the receivables, including interest and fees.

Information about businesses or functions that fall below the segment reporting quantitative threshold tests such as our Insurance Services, Taxpayer Financial Services and Commercial operations, as well as our Treasury and Corporate activities, which include certain fair value adjustments related to purchase accounting and related amortization, are included under the "All Other" caption within our segment disclosure in the MD&A.

Corporate goals and individual goals of executives are currently calculated in accordance with International Financial Reporting Standards ("IFRSs") under which HSBC prepares its consolidated financial statements. As a result, operating results are monitored and reviewed, trends are evaluated and decisions about allocating resources, such as employees, are made almost exclusively on an IFRS Management basis (a non-U.S. GAAP financial measure). Accordingly, in conformity with applicable accounting standards, our segment reporting is on an IFRS Management basis. However, we continue to monitor capital adequacy, establish dividend policy and report to regulatory agencies on a U.S. GAAP basis. For additional financial information relating to our business and operating segments as well as a summary of the significant differences between U.S. GAAP and IFRSs as they impact our results, see Note 24, "Business Segments" in the accompanying consolidated financial statements.

Card and Retail Services Our Card and Retail Services business includes our MasterCard, Visa, American Express and Discover receivables ("Cards") in the United States originated under various brands, including The GM Card®, the Union Plus® ("UP") credit card, Household Bank, Orchard Bank and HSBC branded credit cards. Our Card and Retail Services business also originates private label receivables. The private label receivables, along with the GM and UP receivables are sold daily to HSBC Bank USA, which we continue to service for a fee.

The Cards business has approximately $11.7 billion in receivables and approximately 16 million active customer accounts. According to The Nilson Report, we are the sixth largest issuer of MasterCard and Visa credit cards in the United States (based on receivable balances).

GM, a co-branded credit card issued as part of our alliance with General Motors Company, enables customers to earn discounts on the purchase or lease of a new GM vehicle. The UP card program provides benefits and services to members of various national and international labor unions. The Household Bank and Orchard Bank credit cards offer specialized credit card products to consumers underserved by traditional providers or are marketed in conjunction with certain merchant relationships established through our private label business. The credit card portfolio of our Card and Retail Services business is generated primarily through direct mail, telemarketing, Internet applications, application displays, promotional activity associated with our affinity and co-branding relationships, mass-media advertisement (The GM Card) and merchant relationships. In January 2009, we sold our GM and UP MasterCard and Visa portfolios with an outstanding principal balance of $12.4 billion to HSBC Bank USA. All new originations under these programs are sold to HSBC Bank USA on a daily basis. The Card and Retail Services business continues to service the receivables on behalf of HSBC Bank USA for a fee. The Card and Retail Services business also services an additional $2.1 billion of credit card receivables for HSBC Bank USA.

On December 29, 2004, our private label credit card portfolio ("PLCC") was sold to HSBC Bank USA, and agreements were entered into to sell substantially all future receivables to HSBC Bank USA on a daily basis and to service the portfolio for HSBC Bank USA for a fee. As a result, we sell all new private label receivables upon origination, but service the entire portfolio on behalf of HSBC Bank USA.

The PLCC business has approximately 14 million active customer accounts and 32 active merchant relationships. The Nilson Report also lists our private label servicing portfolio as the third largest portfolio in the United States. At December 31, 2009, our PLCC receivables were sourced from the following business lines: approximately 45 percent in consumer electronics, 24 percent in power sport vehicles (snowmobiles, personal watercraft, all terrain vehicles and motorcycles), 16 percent in department stores, and 7 percent of receivables in furniture stores. The private label financing products are generated through merchant retail locations, merchant catalog and telephone sales, and direct mail and Internet applications.

Consumer As discussed above, we decided in late February 2009 to discontinue all originations by our Consumer Lending business. Under the HFC, Beneficial and HSBC Credit Centers, our Consumer Lending business offered secured and unsecured loan products, such as first and second lien position closed-end mortgage loans, open-end home equity loans, personal non-credit card loans, and prior to January 2009, auto finance loans. The bulk of the mortgage lending products originated in the branch network were for refinancing and debt consolidation rather than home purchases. We are servicing the remaining portfolio as it runs off while helping qualifying customers in need of assistance with appropriate loan modifications and other account management programs. At December 31, 2009, our Consumer Lending business had $50.2 billion in receivables, including real estate secured receivables with a balance of $39.6 billion, of which approximately 95 percent are fixed rate loans and 88 percent are in a first lien position. Additionally, our Consumer Lending business had $10.6 billion in personal non-credit card and auto finance receivables. In total, our Consumer Lending business had approximately 1.6 million active customer accounts at December 31, 2009.

Prior to the first quarter of 2007 when we ceased new purchase activity, our Mortgage Services business purchased non-conforming first and second lien real estate secured loans from a network of unaffiliated third party lenders (i.e. correspondents) based on our underwriting standards. Our Mortgage Services business included the operations of Decision One Mortgage Company ("Decision One") which historically originated mortgage loans sourced by independent mortgage brokers and sold such loans to secondary market purchasers, including Mortgage Services. As a result of the deterioration in the subprime mortgage lending industry, in September 2007 we announced that Decision One originations would cease. We are servicing the remaining Mortgage Services portfolio as it runs off. At December 31, 2009, our Mortgage Services business has $20.0 billion in receivables remaining. Approximately 60 percent of the Mortgage Services portfolio is fixed rate loans and 85 percent is in a first lien position. In total, our Mortgage Services business had approximately 200,000 active customer accounts at December 31, 2009.

As a result of strategic decisions made in 2008, our Auto Finance business discontinued its dealer and direct-to-consumer loan origination channels. In January 2009, a decision was made to discontinue originating and refinancing auto finance loans in our Consumer Lending branch offices through the autos-in-branches program. As a result of these actions, the Auto Finance business is no longer originating new loans. In January 2009, we sold auto finance receivables with an outstanding principal balance of $3.0 billion to HSBC Bank USA. In November 2009, we agreed to sell our auto loan servicing operations, and $1.0 billion of delinquent and non-delinquent auto finance receivables to SC USA. Approximately $400 million will be purchased by us from HUSI prior to the closing. We also entered into an agreement under which SC USA will service all auto finance receivables in both our and HSBC Bank USA's auto finance receivable portfolios. These transactions are scheduled to close in the first quarter of 2010. In total, our Auto Finance business had approximately 516,000 customers at December 31, 2009.

All Other Our Insurance business designs and distributes term life, credit life, unemployment, accidental death and disability, whole life, annuities, disability, long term care and a variety of other specialty protection products to our customers and the customers of affiliated financial institutions, such as HSBC Bank USA and HSBC Bank Canada. Such products currently are offered throughout the United States and Canada to customers based upon their particular needs. The Insurance business has approximately 8.1 million customers, which includes customers of our other businesses and of our affiliated financial institutions. Insurance distributed to our customers is directly written by or reinsured with one or more of our subsidiaries. Insurance sold to customers of HSBC Bank USA and certain other affiliates is written primarily by unaffiliated insurance companies.

The Taxpayer Financial Services ("TFS") business is a U.S. provider of tax-related financial products to consumers through unaffiliated H&R Block tax preparer locations. Serving around 7.6 million customers, this business leverages the annual U.S. income tax filing process to provide products that offer consumers quick and convenient access to funds based on the amount of their anticipated tax refund. Our TFS business processes refund anticipation products that are originated by HSBC Bank USA and HSBC Trust Company (Delaware), N.A. In 2009, this business generated a loan volume of approximately $9.0 billion.

Prior to 2010, we provided all of the funding required by the TFS business. Beginning in 2010, a portion of the funding for the TFS business will be provided by HSBC Bank USA. We do not anticipate this change will have a material impact on the revenues or expenses of the TFS business.

Regulation and Competition

Regulation

Consumer The U.S. Federal government and banking regulators continued their efforts to stabilize the U.S. economy in 2009. On June 17, 2009, the Administration unveiled its proposal for a sweeping overhaul of the financial regulatory system. The Financial Regulatory Reform proposals are comprehensive and include the creation of an inter-agency Financial Services Oversight Council to, among other things, identify emerging risks and advise the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") regarding institutions whose failure could pose a threat to financial stability; expand the Federal Reserve Board's powers to regulate these systemically-important institutions and impose more stringent capital and risk management requirements; create a Consumer Financial Protection Agency (the "CFPA") as a single primary Federal consumer protection supervisor, which will regulate credit, savings, payment and other consumer financial products and services and providers of those products and services; and impose comprehensive regulation of over-the-counter ("OTC") derivatives markets, including credit default swaps, and prudent supervision of OTC derivatives dealers. In December 2009, the House of Representatives passed The Wall Street Reform and Consumer Protection Act, which addresses many of the Administration's proposed reforms. Similar legislation is under consideration by the U.S. Senate Committee on Banking, Housing and Urban Affairs. On January 14, 2010, the Administration announced its intention to propose a Financial Crisis Responsibility Fee to be assessed against financial institutions with more than $50 billion in consolidated assets for at least 10 years. It is likely that some portion of the financial regulatory reform proposals will be adopted and enacted. The reforms may have a significant impact on the operations of financial institutions in the U.S., including us and our affiliates. However, it is not possible to assess the impact of financial regulatory reform until final legislation has been enacted and related regulations have been adopted.

Our businesses already operate in a highly regulated environment. They are subject to laws relating to consumer protection including, without limitation, fair lending, use of credit reports, privacy matters, and disclosure of credit terms and correction of billing errors. Local, state and national regulatory agencies continue efforts to address perceived problems with the mortgage lending and credit card industries through broad or targeted legislative or regulatory initiatives aimed at lenders' operations in consumer lending markets. There continues to be a significant amount of legislative activity, nationally, locally and at the state level, aimed at curbing certain lending practices. They are also subject to certain regulations and legislation that limit operations in certain jurisdictions. For example, limitations may be placed on the amount of interest or fees that a loan may bear, the amount that may be borrowed, the types of actions that may be taken to collect or foreclose upon delinquent loans or the information about a customer that may be shared. For consumer loans still being serviced by HSBC Finance Corporation, certain consumer finance subsidiaries are generally licensed by state regulatory bodies in the jurisdictions in which they operate. Such licenses have limited terms but are renewable, and are revocable for cause. Failure to comply with these laws and regulations may limit the ability of our licensed entities to collect or enforce loan agreements made with consumers and may cause these subsidiaries to be liable for damages and penalties.

On May 22, 2009, the Credit Card Accountability Responsibility and Disclosure Act of 2009 (the "CARD Act") was signed into law with likely significant impact on the credit card industry. The CARD Act, which through Federal Reserve Board rulemaking becomes effective in three stages (i.e., August 2009, February 2010 and August 2010), primarily amends the Truth in Lending Act by adding a number of new substantive and disclosure requirements building upon the Regulation AA and Regulation Z requirements adopted by the Federal Reserve Board in January 2009 (the "January 2009 rules"). The February 2010 rulemaking implemented the majority of the CARD Act provisions which, among other things, restrict application of interest rate increases on new and existing balances, prescribe the manner in which payments in excess of the minimum payment may be allocated to amounts due and when penalty rates may be charged on past due balances, and require customers to opt-in to over limit fee assessments. Because many of the requirements of the January 2009 Regulation AA and Regulation Z rules are included in the February 2010 CARD Act rule, the Federal Reserve Board has issued notices withdrawing the January 2009 rules. The Federal Reserve is expected in the near term to promulgate rules that will interpret and implement the provisions of the CARD Act which take effect in August 2010. The August 2010 CARD Act rules will address the reasonableness and proportionality of penalty fees and charges and require that accounts subjected to prior interest rate increases be periodically re-evaluated for interest rate decreases. The CARD Act also requires other government agencies to conduct studies on interchange, debt cancellation agreements and credit insurance products and present reports to Congress on these topics. We are compliant with the provisions of the CARD Act that took effect in August 2009 and February 2010 and continue to make changes to processes and systems in order to comply with the remaining provisions of the CARD Act by the applicable August 2010 effective date. The CARD Act has required us to make changes to our business practices, and will likely require us and our competitors to manage risk differently than has historically been the case. Pricing, underwriting and product changes in response to the new legislation have either been implemented or are under analysis. Although we currently believe the implementation of these new rules is likely to have a material adverse financial impact to us, the full impact of the CARD Act on us at this time remains uncertain as it ultimately depends upon interpretations of the Federal Reserve Board and other government agencies of some of the provisions discussed above, successful implementation of our strategies, consumer behavior and the actions of our competitors.

Due to the turmoil in the mortgage lending markets, there has also been a significant amount of federal and state legislative and regulatory focus on this industry. Increased regulatory oversight over residential mortgage lenders has occurred, including through state and Federal examinations and periodic inquiries from state attorneys general for information. Several regulators, legislators and other governmental bodies have promoted particular views of appropriate or “model” loan modification programs, suitable loan products and foreclosure and loss mitigation practices. We have developed a modification program that employs procedures which we believe are most responsive to our customers needs and continue to enhance and refine these practices as other programs are announced, and we evaluate the results of our customer assistance efforts. We continue to be active in various home preservation initiatives through participation at local events sponsored by industry participants, regulators and consumer advocates.

Banking Institutions In December 2007, U.S. regulators published a final rule regarding Risk-Based Capital Standards: Advanced Capital Adequacy Framework – Basel II. This final rule represents the U.S. adoption of the Basel II International Capital Accord (“Basel II”). The final rule became effective April 1, 2008, and requires large bank holding companies to adopt its provisions no later than April 1, 2011. Subject to regulatory approval, HSBC North America will be required to adopt Basel II provisions. HSBC North America has established comprehensive Basel II implementation project teams comprised of finance and risk management specialists representing all risk disciplines. We anticipate that the implementation of Basel II may impact our product offerings, funding of products and capital requirements. However, any impact will be based on our prevailing risk profile. Basel II also requires that HSBC North America precede its adoption of the Basel II provisions by initiating a parallel run period for at least four quarters, which was initiated in January 2010 by HSBC North America. As a result, we will support the parallel run period by supplying data related to risk to HSBC North America.

HSBC North America and HSBC Finance Corporation continue to support the HSBC implementation of the Basel II framework, as adopted by the U.K. Financial Services Authority (“FSA”). We supply data regarding credit risk, operational risk and market risk to support HSBC’s regulatory capital and risk weighted asset calculations. Revised FSA capital adequacy rules for HSBC became effective January 1, 2008.

Our credit card banking subsidiary, HSBC Bank Nevada, N.A. (“HSBC Bank Nevada”), is a federally chartered ‘credit card bank’ and a member of the Federal Reserve System. HSBC Bank Nevada is subject to regulation, supervision and examination by the Office of the Comptroller of the Currency (“OCC”). Any deposits held by HSBC Bank Nevada are insured by the Federal Deposit Insurance Corporation (“FDIC”) which renders it subject to relevant FDIC regulation.

HSBC Bank Nevada, like other FDIC-insured banks, may be required to pay assessments to the FDIC for deposit insurance under the FDIC’s Bank Insurance Fund. Under the FDIC’s risk-based system for setting deposit insurance assessments, an institution’s assessments vary according to its deposit levels and other factors.

In addition, U.S. bank regulatory agencies have maintained the ‘leverage’ regulatory capital requirements that generally require United States banks and bank holding companies to maintain a minimum amount of capital in relation to their balance sheet assets (measured on a non-risk-weighted basis). HSBC Bank Nevada is subject to these capital requirements.

As a result of our acquisition by HSBC, HSBC Finance Corporation and its subsidiaries became subject to supervision, regulation and examination by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"). HSBC is a bank holding company under the U.S. Bank Holding Company Act of 1956, as amended (the "BHCA") as a result of its ownership of HSBC Bank USA. On January 1, 2004, HSBC created a North American organization structure to hold all of its North America operations, including HSBC Finance Corporation and its subsidiaries. This company, HSBC North America is also a bank holding company under the BHCA, by virtue of its ownership of HSBC Bank USA. HSBC and HSBC North America are registered as financial holding companies under the Gramm-Leach-Bliley Act amendments to the BHCA, enabling them to offer a broad range of financial products and services. HSBC North America, as a financial holding company, is supervised and examined by the Federal Reserve Bank of Chicago. We are also regularly examined and reviewed by the Federal Reserve Bank of Chicago. The Federal Deposit Insurance Corporation Improvement Act of 1991 provides for extensive regulation of insured depository institutions such as HSBC Bank Nevada, including requiring Federal banking regulators to take prompt corrective action with respect to FDIC-insured banks that do not meet minimum capital requirements. At December 31, 2009, HSBC Bank Nevada was well-capitalized under applicable OCC and FDIC regulations.

Competition The credit card industry in which we operate is been highly fragmented and intensely competitive with a broad range of institutions offering both bank cards and private label cards. Terms such as annual percentage rates, fees, and credit lines as well as other card benefits and/or features are normally what lead customers to apply for one particular card over another. With ample competition in the credit card industry and low costs for a customer to switch to another card issuer, consumer loyalty in this industry tends to be minimal. Competitive pressure, particularly in the prime credit card market, may increase as credit card issuers increase origination activities since the demand for credit and levels of customer spending are expected to remain below historical levels for the foreseeable future.

As more fully discussed in the MD&A, in the current market conditions, sub-prime lending is curtailed and is likely to continue to be curtailed for some time. The ultimate impact on competitive conditions of the upheaval in the marketplace, negative economic conditions and the resulting increased regulation over our industry generally at the Federal and state level and specifically over the credit card industry is unclear at this time. The ultimate impact on competition as the economy recovers is also unclear.

Corporate Governance and Controls

HSBC Finance Corporation maintains a website at www.us.hsbc.com on which we make available, as soon as reasonably practicable after filing with or furnishing to the SEC, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to these reports. Our website also contains our Corporate Governance Standards and committee charters for the Audit and Executive Committees of our Board of Directors. We have a Statement of Business Principles and Code of Ethics that expresses the principles upon which we operate our businesses. Integrity is the foundation of all our business endeavors and is the result of continued dedication and commitment to the highest ethical standards in our relationships with each other, with other organizations and individuals who are our customers. You can find our Statement of Business Principles and Code of Ethics on our corporate website. We also have a Code of Ethics for Senior Financial Officers that applies to our finance and accounting professionals that supplements the Statement of Business Principles. That Code of Ethics is incorporated by reference in Exhibit 14 to this Annual Report on Form 10-K. You can request printed copies of this information at no charge. Requests should be made to HSBC Finance Corporation, 26525 North Riverwoods Boulevard, Mettawa, Illinois 60045, Attention: Corporate Secretary.

Certifications In addition to certifications from our Chief Executive Officer and Chief Financial Officer pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 (attached to this report on Form 10-K as Exhibits 31 and 32), we also file a written affirmation of an authorized officer with the New York Stock Exchange (the "NYSE") certifying that such officer is not aware of any violation by HSBC Finance Corporation of the applicable NYSE corporate governance listing standards in effect as of March 1, 2010.

Cautionary Statement on Forward-Looking Statements

Certain matters discussed throughout this Form 10-K constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, we may make or approve certain statements in future filings with the SEC, in press releases, or oral or written presentations by representatives of HSBC Finance Corporation that are not statements of historical fact and may also constitute forward-looking statements. Words such as “may”, “will”, “should”, “would”, “could”, “appears”, “believe”, “intends”, “expects”, “estimates”, “targeted”, “plans”, “anticipates”, “goal” and similar expressions are intended to identify forward-looking statements but should not be considered as the only means through which these statements may be made. These matters or statements will relate to our future financial condition, economic forecast, results of operations, plans, objectives, performance or business developments and will involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements. Forward-looking statements are based on our current views and assumptions and speak only as of the date they are made. We undertake no obligation to update any forward-looking statement to reflect subsequent circumstances or events.

Item 1A. Risk Factors

The following discussion provides a description of some of the important risk factors that could affect our actual results and could cause our results to vary materially from those expressed in public statements or documents. However, other factors besides those discussed below or elsewhere in other of our reports filed or furnished with the SEC could affect our business or results. The reader should not consider any description of such factors to be a complete set of all potential risks that we may face.

The unprecedented current market and economic conditions may continue to affect our business, results of operations and financial condition. Due to the nature of our historical business as a consumer lender to generally non-conforming and non-prime customers, we are particularly exposed to the continued turmoil in the economy, housing downturn, high unemployment, tighter credit conditions and reduced economic growth that have occurred over the past two years and appear likely to continue in 2010. General business, economic and market conditions that could continue to affect us include:

- short-term and long-term interest rates;
- a continuing recessionary economy;
- unemployment levels:
- inflation;
- monetary supply;
- fluctuations in both debt and equity capital markets in which we fund our operations;
- availability of liquidity;
- market value of residential real estate throughout the United States;
- tighter consumer credit conditions;
- higher bankruptcy filings; and
- new laws, regulations or regulatory initiatives.

In a poor economic environment such as currently being experienced in the United States, more of our customers are likely to, and have in fact become delinquent on their loans or other obligations as many of our customers are

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Executive Overview

Organization and Basis of Reporting HSBC Finance Corporation and subsidiaries is an indirect wholly owned subsidiary of HSBC North America Holdings Inc. ("HSBC North America") which is a wholly owned subsidiary of HSBC Holdings plc ("HSBC"). HSBC Finance Corporation may also be referred to in Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") as "we", "us", or "our".

We currently provide MasterCard[(1)], Visa[(1)], American Expressand Discover[(1)] credit cards as well as private label cards to customers in the United States. A portion of new credit card and all new private label receivable originations are sold on a daily basis to HSBC Bank USA, National Association ("HSBC Bank USA"). We also offer specialty insurance products in the United States and Canada as well as tax refund anticipation loans and other related products in the United States. Historically, we also provided several other types of loan products in the United States including real estate secured, personal non-credit card loans and auto finance loans. Prior to November 2008, we also offered consumer loans in Canada and prior to May 2008 we offered loans and specialty insurance products in the United Kingdom and the Republic of Ireland. Prior to 2007, we also offered consumer loans in Slovakia, the Czech Republic and Hungary ("European Operations").

We generate cash to fund our businesses primarily by collecting receivable balances, issuing commercial paper, selling certain credit card and all private label receivables to HSBC Bank USA on a daily basis, borrowing from HSBC affiliates and customers of HSBC, issuing retail notes, medium and long-term debt and borrowing under secured financing facilities. We also receive capital contributions as necessary from HSBC which serve as an additional source of funding. We use the cash generated to invest in and originate new credit card receivables, to service our debt obligations and to pay dividends to our parent, when possible.

The following discussion of our financial condition and results of operations excludes the results of our discontinued operations unless otherwise noted. See Note 3, "Discontinued Operations" in the accompanying consolidated financial statements for further discussion of these transactions.

Current Environment During 2009, challenging economic conditions in the U.S. continued, marked by declines in the housing markets, rising unemployment, tight credit conditions and reduced economic growth. Although the economic recession continued to deepen into the first half of 2009, signs of stabilization and improvement began to appear in the second half of the year. While the on-going financial market disruptions continued to impact credit and liquidity during the year, marketplace improvements beginning in the second quarter and continuing through the end of the year strengthened liquidity and narrowed credit spreads due to improving market confidence stemming largely from various government actions taken to restore faith in the capital markets and stimulate consumer spending. The improving capital markets and a recovery in the stock market have enabled many businesses to issue debt and raise new capital which is bolstering consumer and business sentiment. While the easing pace of job losses in the second half of 2009 is helping the housing markets, the first-time homebuyer tax credit as well as low interest rates resulting from government actions have been the main forces driving up home sales and shrinking home inventories, which has resulted in some home price stabilization in the latter half of 2009, particularly in the middle and lower price sectors.

U.S. unemployment rates, which have been a major factor in the deterioration of credit quality in the U.S., increased to 10.0 percent in December 2009, an increase of 260 basis points since December 2008. Unemployment rates in 16 states are greater than the U.S. national average and unemployment rates in 10 states are at or above 11 percent, including California and Florida, states where we have receivable portfolios in excess of 5 percent of our total outstanding receivables. In addition, a significant number of U.S. residents are no longer looking for work and are not included in the reported percentages. Personal bankruptcy filings in the U.S. have also increased throughout the year.

[(1)] MasterCard is a registered trademark of MasterCard International Incorporated (d/b/a MasterCard Worldwide); Visa is a registered trademark of Visa, Inc.; American Express is a registered trademark of American Express Company and Discover is a registered trademark of Discover Financial Services.

This has continued to have an impact on the provision for credit losses in our loan portfolio and in loan portfolios across the industry. Concerns about the future of the U.S. economy, including the timing and extent of any recovery from the current U.S. economic downturn, consumer confidence, volatility in energy prices, adverse developments in the credit markets and mixed corporate earnings continue to negatively impact the stability of both the U.S. economy and the capital markets.

During 2009, mortgage lending industry trends continued to deteriorate, including:

> Mortgage loan originations from 2005 to 2008 continued to perform worse than originations from prior periods;

> Real estate markets in a large portion of the United States continued to be affected by stagnation or decline in property values;

> Increases in the period of time properties remain unsold in most markets;

> Increased loss severities in many markets on homes that were foreclosed and remarketed due to a higher inventory of homes for sale and the declining property values in certain markets as discussed above;

> Low secondary market demand for subprime loans resulting in reduced liquidity for subprime mortgages; and

> Continuation of tightened lending standards by mortgage lenders which impacted borrowers' ability to refinance existing mortgage loans.

The combination of the above factors, including the closure or consolidation of a number of mortgage lenders, has further reduced the ability of many of our real estate loan customers to make payments on or to refinance their loans. Accessing any equity in their homes is no longer an option as either there is no equity in their homes or if there is, few institutions are willing to finance its withdrawal. It is generally believed that the slowdown in the housing market will continue to impact housing prices in 2010.

In our credit card business, we saw lower consumer spending in 2009 generally as a result of the downturn in the U.S economy, increased savings levels and reduced credit available to our customers as a result of actions taken beginning in the fourth quarter of 2007 and continuing through 2009 to manage risk which resulted in a decline in outstanding receivable balances, favorably impacted overall credit quality in 2009.

Improvement in unemployment rates and a sustained recovery of the housing markets, including stabilization in home prices, continue to remain critical components for a broader U.S. economic recovery. Further weakening in these components as well as in consumer confidence may result in additional deterioration in consumer payment patterns and increased delinquencies and charge-off rates in loan portfolios across the industry, including our own. Although consumer confidence has improved since early 2009, it remains low on a historical basis. Weak consumer fundamentals including declines in wage income, lower consumer spending, declines in wealth and a difficult job market are depressing confidence. Additionally, there is uncertainty as to the impact to the economy and consumer confidence when the actions taken by the government to restore faith in the capital markets and stimulate consumer spending end. As a result, the above conditions, together with weakness in the overall economy and proposed regulatory changes, will likely continue to impact our results in 2010, the degree of which is largely dependent upon the nature and timing of an economic recovery and any further regulatory changes.

The U.S. Federal government and banking regulators continued their efforts to stabilize the U.S. economy and reform the financial markets in 2009. On June 17, 2009, the Administration unveiled its proposal for a sweeping overhaul of the financial regulatory system. The Financial Regulatory Reform proposals are comprehensive and include the creation of an inter-agency Financial Services Oversight Council to, among other things, identify emerging risks and advise the Federal Reserve Board regarding institutions whose failure could pose a threat to financial stability; expand the Federal Reserve Board's powers to regulate these systemically-important institutions and impose more stringent capital and risk management requirements; create a Consumer Financial Protection Agency (the "CFPA") as a single primary Federal consumer protection supervisor, which will regulate credit, savings, payment and other consumer financial products and services and providers of those products and services;

and impose comprehensive regulation of over-the-counter ("OTC") derivatives markets, including credit default swaps, and prudent supervision of OTC derivatives dealers. In December 2009, the House of Representatives passed The Wall Street Reform and Consumer Protection Act, which addresses many of the Administration's proposed reforms. Similar legislation is under consideration by the U.S. Senate Committee on Banking, Housing and Urban Affairs. On January 14, 2010, the Administration announced its intention to propose a Financial Crisis Responsibility Fee to be assessed against financial institutions with more than $50 billion in consolidated assets for at least 10 years. It is likely that some portion of the financial regulatory reform proposals will be adopted and enacted. The reforms may have a significant impact on the operations of financial institutions in the U.S., including us and our affiliates. However, it is not possible to assess the impact of financial regulatory reform until final legislation has been enacted and the related regulations have been adopted.

U.S. Treasury sponsored programs in the mortgage lending environment have also been introduced which are focused on reducing the number of foreclosures and potentially making it easier for some customers to refinance loans. One such program intends to help certain at-risk homeowners avoid foreclosure by reducing monthly mortgage payments. This program provides certain incentives to lenders to modify all eligible loans that fall under the guidelines of the program. Another program focuses on homeowners who have a proven payment history on an existing mortgage owned by Fannie Mae or Freddie Mac and provides assistance to eligible homeowners to refinance their mortgage loans to take advantage of current lower mortgage rates or to refinance adjustable rate mortgages into more stable fixed rate mortgages. We continue to evaluate our consumer relief programs and account management practices to ensure our programs benefit both our customers in accordance with their financial needs and our stakeholders as the economy recovers. As a result, to date we have elected to not participate in the U.S. Treasury sponsored programs but to focus on expanding and improving our current programs.

Business Focus As discussed in prior filings, beginning in 2007 and continuing through 2009 we engaged in a continuing, comprehensive evaluation of the strategies and opportunities for our operations. In light of the unprecedented developments in the retail credit markets, particularly in the residential mortgage industry and the continued deterioration of U.S. economic conditions, we made strategic decisions during this period designed to lower the risk profile and reduce the capital and liquidity requirements of our operations by reducing the size of the balance sheet. As discussed more fully below, in 2009 this evaluation resulted in the discontinuation of new customer account originations for all products by our Consumer Lending business and the closure of our Consumer Lending branch offices, the decisions to close or consolidate certain back office and collection facilities in Bridgewater, New Jersey; Minnetonka, Minnesota; Wood Dale, Illinois; Elmhurst, Illinois; Sioux Falls, South Dakota; Virginia Beach, Virginia; and Tampa, Florida as well as the decision in November 2009 to sell our auto loan servicing operations to Santander Consumer USA, Inc. ("SC USA").

As a result of these decisions and those made from mid-2007 through 2008, our lending products currently include MasterCard, Visa, American Express and Discover credit card receivables as well as private label receivables. A portion of new credit card and all new private label receivable originations are sold on a daily basis to HSBC Bank USA, National Association ("HSBC Bank USA"). Our credit card receivable portfolio totaled $11.6 billion at December 31, 2009 reflecting a decrease of 12 percent since December 31, 2008 as a result of lower consumer spending levels as well as the impact of numerous actions taken by us to manage risk beginning in the fourth quarter of 2007 through 2009.

As a result of the strategic changes in our business focus since mid-2007, our real estate secured, auto finance and personal non-credit card receivable portfolios, which totaled $74.0 billion at December 31, 2009 are currently liquidating. The timeframe in which these portfolios will liquidate is dependent upon numerous factors some of which are beyond our control. The rate at which receivables pay off prior to their maturity fluctuates for a variety of reasons outside of our control such as interest rates, availability of refinancing, home values and individual borrowers' credit profile. In light of the current economic conditions and mortgage industry trends described above, our loan prepayment rates have slowed when compared to historical experience even though interest rates remain low. Additionally, our loan modification programs which are designed to maximize cash collections and avoid foreclosure or repossession if economically reasonable, are contributing to these slower loan prepayment rates.

While difficult to project both loan prepayment rates and default rates, based on current experience we expect our run-off portfolios to decline between 55 percent and 65 percent over the next four to five years and be comprised primarily of real estate secured receivables at the end of this period. Attrition will not be linear during this period. Over the next two years, charge-off related receivable run-off is expected to remain high due to the continued economic slowdown. Run-off will later slow as charge-offs decline and the remaining real estate secured receivables stay on the balance sheet longer due to the impact of modifications and/or the lack of re-financing alternatives.

We continue to evaluate our operations as we seek to optimize our risk profile as well as our liquidity, capital and funding requirements and review opportunities in the subprime credit card industry as the credit markets stabilize. This could result in further strategic actions that may include changes to our legal structure, additional asset sales and further alterations or refinement of product offerings as we work to reposition our active businesses for long-term success. Although nothing is currently contemplated beyond what is classified as held for sale, we continue to evaluate additional ways to leverage liquidity and identify funding opportunities with HSBC Bank USA, within the regulatory framework.

2009 Events

- Due to the impact of the marketplace conditions described above on the performance of our receivable portfolios, we have incurred significant losses in 2009, 2008 and 2007. If our forecasts hold true, we expect to continue to generate losses at least for the next two years. While our 2010 funding strategy includes a mix of balance sheet attrition, cash generated from operations and proceeds from sales of receivables and other actions to meet our current obligations, we will remain dependent on capital infusions from HSBC to fully meet our funding requirements and maintain capital at levels we believe are prudent until we return to profitability. HSBC has indicated it is fully committed and has the capacity to continue to provide such support. In 2009 and 2008, HINO made capital contributions to us totaling $2.7 billion and $3.5 billion, respectively.

- We have historically maintained charge-off policies within our Consumer Lending and Mortgage Services businesses that were developed in consideration of the historical consumer finance customer profile. As such, these policies focused on maximizing the amount of cash collected while avoiding excessive collection expenses on loans which would likely become uncollectible. Our historical real estate secured charge-off policies reflected consideration of customer behavior in that initiation of foreclosure or repossession activities often served to prompt repayment of delinquent balances and, therefore, were designed to avoid ultimate foreclosure or repossession whenever it was economically reasonable. Charge-off policies for our personal non-credit card receivables were designed to be responsive to customer needs and collection experience which justified a longer collection and work out period for the consumer finance customer. Therefore, the charge-off policies for these products were historically longer than bank competitors who served a different market.

  The impact of the recent economic turmoil has resulted in a change to the customer behavior patterns described above and it became clear in 2009 that the historical behavior patterns will not be re-established for the foreseeable future, if at all. Recent delays in our ability to foreclose on properties which secure real estate secured receivables due to backlogs in foreclosure proceedings and actions by local governments and certain states have lengthened the foreclosure process. These delays will likely continue for the foreseeable future. In the current environment, many of our customers are experiencing longer term reductions in cash flow available to service their debt. Furthermore due to the slowdown in the housing market, initiation of foreclosure or repossession activities no longer have the same impact of triggering repayment of delinquent balances as property values in many markets have declined, leaving customers with little or no equity in their homes and no prospect for significant appreciation in values in the near term. Additionally, there has been lower demand for securitized subprime loans which resulted in reduced liquidity in the marketplace for subprime mortgages. These factors have reduced the ability or have eliminated the incentive for many of our customers to make payments or refinance their loans as accessing any home equity is either no longer an option or if there is equity, few institutions are willing to finance its withdrawal. For personal non-credit card receivables, customer payment patterns in later stage delinquency compared to historical experience have continued to decline significantly due to the impact of an increasingly prolonged period of high unemployment which many believe will remain elevated for an extended period of time. As a result, later stage delinquency recoveries within the extended charge-off timeframe have decreased significantly in the current environment.

As a result of these changes in customer behavior and resultant payment patterns, in December 2009 we elected to adopt more bank-like charge-off policies for our real estate secured and personal non-credit card receivables. As a result, real estate secured receivables are now written down to net realizable value less estimated cost to sell generally no later than the end of the month in which the account becomes 180 days contractually delinquent. For personal non-credit card receivables, charge-off now occurs generally no later than the end of the month in which the account becomes 180 days contractually delinquent.

The impact of the changes in our charge-off policies adopted during the fourth quarter of 2009 (the "December 2009 Charge-off Policy Changes") resulted in an increase to our net loss of $227 million. For a summary of the components of this net income impact see "Credit Quality" in this MD&A and Note 8, "Changes in Charge-off Policies," in the accompanying consolidated financial statements.

- Under our non-accrual policies, when a real estate secured receivable balance becomes more than three months contractually past due, we no longer accrue interest. Prior to October 1, 2009, if a non-accrual loan was subsequently re-aged, all interest that was not accrued (unrecorded interest) was recognized at an estimated collectible amount. As part of our decision to move to policies which more accurately reflect the underlying performance of our real estate secured receivable portfolio, in the fourth quarter of 2009 we also elected to adopt a more bank-like income recognition policy relating to unrecorded interest on real estate secured receivables placed on non-accrual which were subsequently re-aged under our standard criteria. Effective October 1, 2009, we no longer recognize unrecorded interest at the time a loan is re-aged. Rather, we now only recognize unrecorded interest at an estimated collectible amount when the customer has made six consecutive qualifying payments under the terms of the loan while maintaining a current payment status at the time of the sixth payment. Separately, as it relates to personal homeowner loans ("PHLs") which, although technically secured by real estate were historically underwritten, priced, serviced and reported like an unsecured loan, effective October 1, 2009 we no longer follow the real estate secured policy for income recognition upon re-age. Rather, we follow our historical policy for other personal non-credit card loans that have been re-aged which generally results in the recognition of interest when collected. The combination of these changes has resulted in a decrease to finance and other interest income during the fourth quarter of 2009 of $108 million for real estate secured receivables and $82 million for PHL receivables compared to what would otherwise have been recognized under the prior practice.

- The trend in credit performance of our real estate secured and personal non-credit card receivable portfolios was significantly impacted by the December 2009 Charge-off Policy Changes described above which resulted in $2.4 billion and $1.1 billion of real estate secured and personal non-credit card receivables, respectively, being charged-off, a substantial portion of which would otherwise have occurred in future periods. Excluding the impact of the incremental charge-off, dollars of two-months-and-over contractual delinquency increased $1.1 billion at December 31, 2009 as compared to December 31, 2008 as a result of higher delinquency levels in our Consumer Lending real estate secured receivable portfolio, partially offset by lower delinquency dollars in personal non-credit card receivables and Mortgage Services' real estate secured receivables. The majority of the increase in Consumer Lending real estate secured receivable delinquency was primarily in the first lien portion of the 2006, 2007 and 2008 originations reflecting the continued weakening in the housing and mortgage industry. This deterioration in credit quality was partially offset by lower receivable levels as our real estate secured receivable portfolios continue to liquidate. Excluding the impact of the change in charge-off policy, dollars of net charge-offs for real estate secured receivables decreased in 2009 as lower net charge-offs in our Mortgage Services business were partially offset by higher net charge-offs in our Consumer Lending real estate secured receivable portfolio.

The credit performance of our credit card receivable portfolio improved during 2009 as dollars of two-months-and-over contractual delinquency decreased 37 percent from December 31, 2008 to $1.2 billion at December 31, 2009 as a result of lower receivable levels, including the impact of the sale of the GM and UP Portfolios to HSBC Bank USA in January 2009 and lower consumer spending levels during 2009. Excluding two-months-and-over contractual delinquency in 2008 for the sold GM and UP Portfolios, credit card delinquency in 2009 remained lower. We believe the decrease in dollars of two-months-and-over contractual delinquency in our credit card receivable portfolio is, in part, a result of the risk mitigation actions we have taken since 2007 to manage risk. Excluding net charge-offs in 2008 for the sold GM and UP Portfolios, dollars of credit card net charge-offs decreased by $89 million in 2009.

We anticipate delinquency and charge-off will remain under pressure during 2010 as the U.S. economic environment continues to adversely impact our businesses. However, the magnitude of these negative trends will largely be dependent on the timing and extent of any recovery from the current U.S. economic downturn, including unemployment rates and a sustained recovery of the housing market, which to some extent will be offset by the impact of actions we have already taken to reduce risk in these portfolios.

- Beginning in 2008, we significantly increased the use of loan modifications in an effort to assist our customers who are currently experiencing financial difficulties. As a result, troubled debt restructures ("TDR Loans") have also increased. As described in Note 7, "Receivables," in the accompanying consolidated financial statements, a portion of this increase was attributable to enhanced tracking capabilities under which certain loans previously not reported as TDR Loans are now reported as such. For additional discussion of TDR Loan balances as well as the associated credit loss reserves, see "Credit Quality" in this MD&A.

- As a result of the continued deterioration of the economic conditions in the United States, during the first and second quarters of 2009 we performed interim goodwill impairment tests. As a result of these interim impairment tests, we recorded goodwill impairment charges of $2.3 billion which represented all of the goodwill previously allocated to our Card and Retail Services and Insurance Services businesses. Accordingly, all of our goodwill has now been fully written-off. See Note 14, "Goodwill," in the accompanying consolidated financial statements for further discussion of the goodwill impairment.

- In January 2009, we sold our General Motors MasterCard receivable portfolio (the "GM Portfolio") and our Union Plus MasterCard/Visa receivable portfolio (the "UP Portfolio") with aggregate outstanding principal balances of $6.3 billion and $6.1 billion, respectively, to HSBC Bank USA. At December 31, 2008, the GM and UP Portfolios were included in receivables held for sale. The aggregate sales price for the GM and UP Portfolios was $12.2 billion which included the transfer of approximately $6.1 billion of indebtedness, resulting in net cash proceeds of $6.1 billion. As a result, in the first quarter of 2009 we recorded a gain of $130 million ($84 million after-tax) on the sale of the GM and UP Portfolios. This gain was partially offset by a loss of $(80) million ($(51) million after-tax) recorded upon the termination of cash flow hedges associated with the $6.1 billion of indebtedness transferred to HSBC Bank USA as part of these transactions. We retained the customer account relationships and by agreement we sell additional receivable originations generated under existing and future accounts to HSBC Bank USA on a daily basis at a sales price for each type of portfolio determined using a fair value which is calculated semi-annually. We continue to service the receivables sold to HSBC Bank USA for a fee.

- In January 2009, we also sold certain auto finance receivables with an aggregate outstanding principal balance of $3.0 billion to HSBC Bank USA for an aggregate sales price of $2.8 billion. As a result, in the first quarter of 2009 we recorded a gain of $7 million ($4 million after-tax) on the sale of these auto finance receivables. We continue to service these auto finance receivables for HSBC Bank USA for a fee.

Immediately prior to the sale of the auto finance receivables discussed above, we adopted charge-off and account management policies in accordance with the Uniform Retail Credit Classification and Account Management Policy issued by the Federal Financial Institutions Examination Council ("FFIEC Policies") for our entire auto finance receivable portfolio. The adoption of FFIEC charge-off policies for our auto finance portfolio resulted in an increase in our net loss in the first quarter of 2009 of $23 million.

- In late February 2009, we decided to discontinue new customer account originations for all products by our Consumer Lending business and close all branch offices. We continue to service and collect the existing receivable portfolio as it runs off, while continuing to assist our mortgage customers by using appropriate modification and other account management programs to maximize collection and home preservation. As a result of this decision, we recorded closure costs of $151 million, primarily related to one-time termination and other employee benefit costs. Additionally, we were required to perform an interim intangible asset impairment test for our remaining Consumer Lending intangible assets which resulted in an impairment charge of $14 million during the first quarter of 2009 which represented all of the remaining intangible assets associated with this business. See Note 5, "Strategic Initiatives," for additional details regarding these costs.

- During 2009, we announced the decision to exit certain lease arrangements and consolidate a variety of locations across the United States to increase our operating efficiencies and reduce operating expenses. As a result, we have or will exit certain facilities and/or significantly decrease our occupancy space over the next 12 to 18 months in the following locations: Bridgewater, New Jersey; Minnetonka, Minnesota; Wood Dale, Illinois; Elmhurst, Illinois; Sioux Falls, South Dakota and Tampa, Florida. Additionally, we have decided to consolidate our operations in Virginia Beach, Virginia into our Chesapeake, Virginia facility. See Note 5, "Strategic Initiatives," for details regarding these costs.

- In November 2009, we entered into an agreement with Santander Consumer USA Inc. ("SC USA") to sell our auto loan servicing operations as well as $1.0 billion in both delinquent and non-delinquent auto loans currently held for sale (approximately $400 million of which we will purchase from an affiliate, HUSI, prior to close) for $904 million in cash and entered into a loan servicing agreement for the remainder of our U.S. auto loan portfolio, including those auto loans serviced for HSBC USA Inc. The transaction is currently expected to close in the first quarter of 2010. Under the terms of the sale, our auto loan servicing facilities in San Diego, California and Lewisville, Texas will be assigned to SC USA and the majority of the 700 employees from those locations will be offered the opportunity to transfer to SC USA at the time of close. SC USA will provide servicing for the auto loans it purchases, as well as for the remaining HSBC auto loan portfolio we had previously serviced. Costs to be incurred as a result of this decision are not expected to be material.

- As discussed above, in February 2009 we decided to discontinue new customer account originations for all products offered by our Consumer Lending business and close all branch offices. This action resulted in two of the three primary credit rating agencies electing to lower the ratings on our senior debt, commercial paper and Series B preferred stock. Prior to our February 2009 decision, these agencies had designated HSBC Finance Corporation as a "core" business within HSBC Group. Following this decision, these agencies felt that we had diminished strategic importance to the overall HSBC Group, resulting in the lower ratings as described above. HSBC remains fully committed to providing the capital support, and has the capacity to provide such support, to ensure our remaining business operations continue and selected capital ratios are maintained. See "Liquidity and Capital Resources," in this MD&A for our credit ratings as of December 31, 2009.

Performance, Developments and Trends Loss from continuing operations was $7.5 billion in 2009 compared to a loss from continuing operations of $2.8 billion in 2008 and a loss from continuing operations of $4.4 billion in 2007. Loss from continuing operations before income tax was $10.1 billion in 2009 compared to $3.9 billion in 2008 and $5.3 billion in 2007. Our results in these periods were significantly impacted by the change in the fair value of debt and related derivatives for which we have elected fair value option, goodwill and other intangible asset impairment charges and, in 2009, the impact of the December 2009 Charge-off Policy Changes described above, which alters the underlying performance trends of our business. The following table summarizes the collective impact of these items on our loss before income tax for all periods presented:

Year Ended December 31,	2009	2008	2007
		(in millions)	
Loss from continuing operations before income tax, as reported	**$(10,070)**	$(3,917)	$(5,291)
(Gain) loss in value of fair value option debt and related derivatives	**2,125**	(3,160)	(1,270)
Goodwill and other intangible asset impairment charges	**2,308**	329	4,513
Impact of the December 2009 Charge-off Policy Change	**352**	-	-
Policy change for unrecorded interest on re-aged receivables	**190**	-	-
Loss from continuing operations before income tax, excluding above items(1)	**$ (5,095)**	$(6,748)	$(2,048)

(1) Represents a non-U.S. GAAP financial measure.

Excluding the collective impact of the items in the above table, our 2009 results improved compared to 2008 as lower net interest income was more than offset by a lower provision for credit losses, higher other revenues and lower operating expenses.

Net interest income during 2009 includes the impact of the December 2009 Charge-off Policy Changes and the impact of the adoption of a more bank-like income recognition policy in the fourth quarter of 2009 relating to unrecorded interest on re-aged real estate secured receivables and PHLs which reduced net interest income by $351 million and $190 million, respectively, as discussed in "Executive Overview – 2009 Events," in this MD&A. Excluding the impact of these items, net interest income remained lower in 2009 due to lower average receivables reflecting lower origination volumes due to our risk mitigation efforts, including our decision to stop all new account originations in our Auto Finance, Mortgage Services and Consumer Lending businesses, as well as lower consumer spending levels. The decrease in net interest income also reflects lower levels of performing receivables and lower overall yields on our receivable portfolios, partially offset by lower interest expense. Overall yields decreased due to increased levels of loan modifications, the impact of deterioration in credit quality including the impact of lower performing receivables, lower amortization of net deferred fee income due to lower loan prepayments and lower loan origination volumes as well as decreases in rates on variable rate products which reflect market rate movements. The decrease in overall yields was partially offset by higher yields on credit card receivables as a result of the impact of interest rate floors in portions of our credit card receivable portfolio which have now been removed and a higher mix of non-prime credit card receivables. Overall yields were also negatively impacted by a shift in receivable mix to higher levels of real estate secured receivables as a result of the sale of the $12.4 billion of credit card receivables and $3.0 billion of auto finance receivables in January 2009 as credit card and auto finance receivables generally have higher yields than real estate secured receivables. We also experienced lower yields on our non-insurance investment portfolio reflecting lower rates on overnight investments. Lower interest expense was due to lower average rates for floating rate borrowings on lower average borrowings. Our net interest margin decreased to 5.21 percent in 2009 compared to 6.35 percent in 2008. The decrease was due to the lower overall yields on our receivable portfolio discussed above, partially offset by lower funding costs due to lower average interest rates for short-term borrowings which reflect actions taken by the Federal Reserve Bank resulting in daily average Federal Fund Rates being 184 basis points lower during 2009 as compared to 2008.

Other revenues in 2009 was significantly impacted by a loss on debt designated at fair value and related derivatives due to a narrowing of our credit spreads during 2009. The loss on debt designated at fair value and related derivatives decreased other revenues by $2.1 billion during 2009 compared to a gain which increased other revenues by $3.2 billion in 2008. Excluding the gain (loss) on debt designated at fair value and related derivatives, other revenues increased modestly during 2009 as lower fee income and enhancement services revenue, primarily due to lower credit card receivable levels and changes in credit card customer behavior, and lower taxpayer financial services revenue were more than offset by higher derivative related income, higher gains on daily sales of receivables to HSBC Bank USA, higher servicing and other fees from HSBC affiliates due to higher volumes of receivables serviced as a result of the sale of the GM and UP Portfolios as previously discussed and lower fair value adjustments on receivables held for sale. Lower taxpayer financial services revenue reflects the decision to discontinue all partner relationships except for H&R Block as well as a shift in mix to lower revenue and lower risk products. Higher derivative related income reflects the impact of rising long term U.S. interest rates on our portfolio of pay fixed/receive variable non-qualifying hedges. Lower fair value adjustments on receivables held for sale reflect a smaller portfolio of held for sale receivables during 2009 and less volatile pricing as compared to the prior year. Additionally, in 2009 we recorded a gain of $57 million on the bulk sale to an HSBC affiliate of the credit card and auto finance receivables previously discussed.

Our provision for credit losses declined significantly in 2009 as a result of a lower provision for credit losses in our Mortgage Services real estate secured, credit card and auto finance receivable portfolios, partially offset by a higher provision for credit losses in our Consumer Lending business as discussed in further detail below. The provision for credit losses in 2009 reflects an incremental provision of $1 million as a result of the December 2009 Charge-off Policy Changes.

- The provision for credit losses in our Mortgage Services business decreased $1.5 billion in 2009 as the portfolio continues to liquidate, resulting in lower charge-off levels. While loss severities increased as compared to the prior year, a higher percentage of charge-offs were on first lien loans which generally have lower loss severities than second lien loans. The lower provision also reflects a reduction to provision of $179 million as a result of the December 2009 Charge-off Policy changes discussed above which includes the reserve impact of this policy change relating to accrued interest. Accrued interest written off as part of this policy change is reflected as a reduction of finance and other interest income, while the release of loss reserves associated with principal and accrued interest is reflected in provision. These decreases were partially offset by increased levels of troubled debt restructures including higher reserve requirements associated with these receivables.
- Provision for credit losses in our credit card receivable portfolio decreased significantly in 2009 due to lower receivable levels primarily due to the impact of the transfer of the GM and UP Portfolios to receivables held for sale in June 2008 and November 2008, respectively, as well as $2.0 billion of non-prime credit card receivables to receivables held for sale in June 2008. Excluding the impact of these transferred receivables from the prior year periods as applicable, our provision for credit losses remained significantly lower due to lower non-prime receivable levels as a result of lower consumer spending levels and actions taken beginning in the fourth quarter of 2007 and continuing through 2009 to manage risk. In addition, an improved outlook on future loss estimates as the impact of higher unemployment rates on losses has not been as severe as previously anticipated due in part to lower gas prices and improved cash flow from government stimulus activities that meaningfully benefit our non-prime customers. These lower credit loss estimates have been partially offset by lower recovery rates on defaulted receivables.
- Provision for credit losses in our auto finance receivable portfolio decreased as a result of lower receivable levels reflecting the discontinuation of auto finance originations and the transfer of $3.0 billion of non-delinquent auto finance receivables to held for sale in September 2008. Additionally, we experienced lower loss severities driven by improvements in prices on repossessed vehicles. The provision for credit losses was also impacted by the adoption of FFIEC charge-off policies during the first quarter of 2009 for auto finance receivables which increased the provision for credit losses by $36 million.
- The provision for credit losses in our Consumer Lending business in 2009 increased $296 million in 2009 reflecting higher provisions for credit losses for personal non-credit card receivables and to a lesser extent for first lien real estate secured receivables, partially offset by lower provisions for second lien real estate secured receivables. The lower provision for credit losses for real estate secured receivables reflects a reduction in portfolio risk factors, principally an improved outlook on current inherent losses for first lien real estate secured receivables originated in 2005 and earlier as the current trends for deterioration in delinquencies and charge-offs in these vintages have begun to stabilize. Also contributing to the decrease was a reduction to provision for real estate secured receivables of $13 million as a result of the December 2009 Charge-off Policy Changes discussed above which includes the reserve impact of this policy change to accrued interest. Accrued interest written off as part of this policy

change is reflected as a reduction of finance and other interest income while the release of loss reserves associated with principal and accrued interest is reflected in provision. These decreases were partially offset by lower receivable prepayments, portfolio seasoning, higher loss severities relative to 2008 due to deterioration in real estate values in some markets and increased levels of troubled debt restructures including higher reserve requirements associated with these receivables. Excluding the impact of the December 2009 Charge-off Policy Changes discussed above, which increased our provision for credit losses on personal non-credit card receivables by $193 million, our provision for credit losses in Consumer Lending's personal non-credit card portfolio remained higher in 2009 due to higher levels of charge-off resulting from deterioration in the 2006 and 2007 vintages which was more pronounced in certain geographic regions, partially offset by lower receivable levels. The impact of the December 2009 Charge-off Policy Changes on personal non-credit card receivables includes the reserve impact of this policy change to accrued interest as discussed above and also reflects, unlike real estate secured receivables which are written down to net realizable value, charge-off of the total receivable balance which ignores future recoveries while the corresponding release of credit loss reserves considered future recoveries.

The provision for credit losses for all products in 2009 was negatively impacted by rising unemployment rates in an increasing number of markets, continued deterioration in the U.S. economy and housing markets, higher levels of personal bankruptcy filings and portfolio seasoning. See "Results of Operations" for a more detailed discussion of our provision for credit losses.

During 2009, the provision for credit losses was $3.1 billion lower than net charge-offs. Lower credit loss reserve levels primarily reflect the impact of the December 2009 Charge-off Policy Changes as a result of the acceleration of charge-off of $3.5 billion, a substantial portion of which would otherwise have charged-off in future periods. Excluding the impact of the December 2009 Charge-off Policy Changes, the provision for credit losses was $385 million greater than net charge-offs in 2009 compared to provision in excess of charge-offs of $3.4 billion in 2008 reflecting a slowing in the rate of deterioration of credit quality, lower receivable levels and the impact of higher unemployment rates on losses not being as severe as previously anticipated. Reserve levels for real estate secured receivables at our Mortgage Services and Consumer Lending businesses as well as for receivables in our credit card business can be further analyzed as follows:

	Consumer Lending		Mortgage Services		Credit Cards	
Year Ended December 31,	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
			(in millions)			
Credit loss reserves at beginning of period	**$ 3,392**	$ 1,386	**$ 3,726**	$ 3,573	**$ 2,258**	$ 2,646
Provision for credit losses[1]	**2,997**	3,264	**1,917**	3,399	**1,756**	3,346
Charge-offs[2]	**(3,371)**	(1,237)	**(3,296)**	(3,082)	**(2,397)**	(3,161)
Recoveries	**29**	11	**38**	38	**207**	371
Reserves on receivables transferred to held for sale	**-**	(32)	**-**	(192)	**-**	(944)
Release of credit loss reserves related to loan sales	**-**	-	**-**	(10)	**-**	-
Credit loss reserves at end of period	**$ 3,047**	$ 3,392	**$ 2,385**	$ 3,726	**$ 1,824**	$ 2,258

(1) Provision for credit losses for Consumer Lending and Mortgage Services real estate secured receivables in 2009 was reduced by $13 million and $179 million, respectively, related to the December 31, 2009 Charge-off Policy Changes

(2) Charge-offs for Consumer Lending and Mortgage Services real estate secured receivables in 2009 includes $1.4 billion and $979 million, respectively, related to the December 2009 Charge-off Policy Changes.

Total operating expenses increased in 2009 and were negatively impacted by the following:

- Restructuring charges totaling $151 million, primarily recorded during the first quarter of 2009, related to the decision to discontinue all new customer account originations for our Consumer Lending business and to close the Consumer Lending branch offices. See Note 5, "Strategic Initiatives," in the accompanying consolidated financial statements for additional information related to this decision.

- Goodwill impairment charges of $2.3 billion related to our Card and Retail Services and Insurance Services businesses. All of our goodwill has now been fully written off.

- Impairment charges of $14 million during the first quarter of 2009 relating to technology, customer lists and loan related relationships resulting from the discontinuation of originations for our Consumer Lending business.

Excluding these items in 2009 as well as the goodwill and other intangible asset impairment charges recorded in 2008, total operating expenses decreased $1.2 billion, or 24 percent during 2009 due to lower salary expense, lower marketing expenses, lower branch related expenses due to the closure of the Consumer Lending branch offices, lower real estate owned expenses and the impact of entity-wide initiatives to reduce costs, partially offset by higher collection costs.

Our efficiency ratio from continuing operations was 100.08 percent in 2009 compared to 35.89 percent in 2008 and 66.65 percent in 2007. Our efficiency ratio from continuing operations was significantly impacted by the change in the fair value of debt for which we have elected fair value option accounting and the impact of goodwill and intangible asset impairment charges. Our efficiency ratio in 2009 was also significantly impacted by the implementation of changes to our charge-off policies in December 2009 as discussed above. Excluding these items from the periods presented, our efficiency ratio deteriorated 230 basis points during 2009 largely due to lower net interest income and lower fee and enhancement services revenues as a result of the sale of the GM and UP Portfolios in January 2009, partially offset by increased revenues associated with the bulk gain and daily sales of receivables to HSBC Bank USA. Excluding the items discussed above from the periods presented, in 2008 our efficiency ratio increased 185 basis points as a result of lower net interest income and other revenues due to lower receivable levels and the deterioration in credit quality discussed above which contributed to net income and fee income decreasing more rapidly than the decrease in operating expenses.

Our return on average common shareholder's equity ("ROE") was (68.26) percent in 2009 compared to (20.82) percent in 2008 and (26.57) percent in 2007. Our return on average assets ("ROA") was (6.99) percent in 2009 compared to (1.90) percent in 2008 and (2.67) percent in 2007. ROE and ROA were significantly impacted in 2009 and 2008 by the change in the fair value of debt for which we have elected fair value option accounting, the impact of goodwill and intangible asset impairment charges and in 2009 the December 2009 Charge-off Policy Changes as discussed above. Excluding these items, ROE decreased 76 basis points and ROA decreased 26 basis points as compared to 2008 as a result of lower average assets partially offset by a lower loss from continuing operations during 2009.

Our effective income tax rate for continuing operations was (26.0) percent in 2009, (29.8) percent in 2008 and (17.3) percent in 2007. The effective tax rate for continuing operations in 2009 was significantly impacted by the non-tax deductible impairment of goodwill, the relative level of pretax book loss, increase in the state and local income tax valuation allowance which is included in the state and local taxes, and a decrease in low income housing credits. The effective income tax rate for continuing operations in 2008 as compared to 2007 was significantly impacted by the higher non-deductible goodwill impairment recorded in 2007, increase in the state and local income tax valuation allowance which is included in the state and local taxes, as well as a change in estimate in the state tax rate for jurisdictions where we file combined unitary state tax returns with other HSBC affiliates.

2008 as compared to 2007 Loss from continuing operations in 2008 was significantly impacted by goodwill impairment charges of $329 million (after-tax) relating to our Card and Retail Services business, partially offset by the change in the fair value of debt and related derivatives for which we elected fair value option. Excluding the impact of these items, the net loss in 2008 increased due to significantly higher provisions for credit losses, lower of cost or fair value adjustments recorded for receivables transferred to held for sale in 2008, lower net interest income and lower other revenues, partially offset by lower operating expenses.

The increase in the provision for credit losses primarily reflected higher loss estimates in our Consumer Lending and Mortgage Services business as well as in our credit card receivable portfolio largely due to the following:

- Higher overall levels of contractual delinquency, including higher early stage delinquency levels, in our real estate secured and credit card receivable portfolios, with delinquency in our real estate secured receivable portfolios increasing most significantly in the first lien portion of this portfolio;
- Portfolio seasoning;
- Lower real estate secured receivable prepayments;
- Increases in loss severities for real estate secured receivables due to continued deterioration of real estate values in certain markets;
- Lower recovery rates on credit card receivables;
- Increased levels of personal bankruptcy filings; and
- Higher delinquency levels in our credit card receivable portfolio, particularly in the geographic regions most impacted by the housing market downturn and rising unemployment rates.

Provision for credit losses in 2008 was also impacted by the transfer of real estate secured, auto finance and credit card receivables with an outstanding principal balance of $19.3 billion at the time of transfer and the related transfer of credit loss reserves of $1.4 billion to receivables held for sale. These receivables are carried at the lower of cost or fair value which resulted in a lower of cost or fair value adjustment of $974 million during 2008, of which $415 million was recorded as a component of provision for credit losses and $559 million was recorded as a component of other revenues. See Note 10, "Receivables Held for Sale" in the accompanying consolidated financial statements for additional information regarding the lower of cost or fair value adjustment for these receivables held for sale and the composition of these receivables. Excluding the lower of cost or fair value adjustment for the transfer of receivables held for sale, we recorded provision in excess of net charge-offs of $3.4 billion during 2008 compared to $4.2 billion during 2007. Consequently, our credit loss reserve levels increased significantly during 2008.

The decrease in net interest income in 2008 was due to lower average receivables, lower origination volumes and lower overall yields, partially offset by lower interest expense. Overall yields decreased due to increased levels of loan modifications, the impact of deterioration in credit quality including growth in non-performing assets, lower amortization of net deferred fees due to lower loan prepayments and lower loan origination volumes as well as decreases in rates on variable rate products which reflected market rate movements. Decreases in the overall yield were partially offset by a shift in mix to higher yielding credit card and auto finance receivables resulting from attrition in the lower yielding real estate secured receivable portfolios. Our net interest margin decreased slightly to 6.35 percent in 2008 compared to 6.39 percent in 2007 as the lower overall yields on our receivable portfolio discussed above were largely offset by lower funding costs due to lower average interest rates for short-term borrowings which reflected actions taken by the Federal Reserve Bank which decreased Federal Fund Rates by 400 basis points in 2008.

Excluding the gain on fair value optioned debt and related derivatives as previously discussed, in 2008 other revenues decreased due to lower fee income, the lower of cost or fair value adjustment on receivables held for sale as discussed above, higher derivative expense, lower investment income due to higher other-than-temporary impairment charges and lower gain on receivable sales to HSBC Bank USA. These decreases in other revenues were partially offset by lower losses on Decision One receivables held for sale due to the closing of Decision One in the third quarter of 2007. Additionally, 2007 benefited from the $113 million gain recorded on the sale of our portfolio of MasterCard Class B shares. Fee income decreased due to changes in credit card fee practices implemented during the fourth quarter of 2007 and the second quarter of 2008 as well as higher charge-offs due to increased loan defaults and lower cash advance and interchange fees due to lower volumes. Derivative expense increased in 2008 due to changes in the interest rates in 2008 and higher unrealized losses on our non-qualifying derivatives. Lower gain on receivable sales to HSBC affiliates primarily reflected lower premiums and origination volumes on private label receivable sales to HSBC Bank USA reflecting the deteriorating economic environment.

Excluding goodwill impairment charges recorded in 2008 and 2007 as well as the other intangible asset impairment charges recorded in 2007, total operating expense in 2008 decreased due to lower salary expense, lower marketing expenses, lower sales incentives and the impact of entity-wide initiatives to reduce costs, partially offset by higher collection costs. Additionally, 2007 was also impacted by restructuring charges totaling $93 million, primarily related to the decisions in 2007 to discontinue correspondent channel acquisitions, cease Decision One operations, reduce our Consumer Lending branch network and close the Carmel, Indiana servicing facility.

Receivables Receivables decreased to $85.7 billion at December 31, 2009, a 21 percent decrease from December 31, 2008. The decrease is a result of our decision to reduce the size of our balance sheet and lower our risk profile as well as the impact of the December 2009 Charge-off Policy Changes discussed above which resulted in a reduction in outstanding receivables of $3.5 billion. Excluding the impact of the December 2009 Charge-Off Policy Changes, receivables decreased 18 percent since the prior year due to lower receivable originations in 2009 as a result of the decision in late February 2009 to discontinue new customer account originations of all products in our Consumer Lending business and the decision to discontinue auto loan originations in July 2008 as well as lower consumer spending levels in our credit card receivable portfolio and actions taken to mitigate risk. Decreases in credit card receivable balances were partially offset by the transfer in 2009 of receivables previously held for sale with a fair value of $1.1 billion to receivables held for investment as we now have the intent to hold these receivables for the foreseeable future. Decreases in real estate secured receivable balances at December 31, 2009 have been slowed by a decline in loan prepayments resulting from fewer refinancing opportunities for our customers due to the previously discussed trends impacting the mortgage lending industry. See "Receivables Review" for a more detailed discussion of the decreases in receivable balances.

Receivables held for sale decreased to $536 million at December 31, 2009 compared to $16.7 billion at December 31, 2008 largely reflecting the sale of our GM and UP credit card portfolios and certain auto finance receivables to HSBC Bank USA in January 2009. Additionally, this decrease includes the transfer of $216 million and $1.1 billion of real estate secured and credit card receivables, respectively, from held for sale to receivables held for investment during 2009, as we now have the intent to hold these receivables for the foreseeable future. These decreases were partially offset by the transfer of $533 million of auto finance receivables to receivables held for sale during 2009 as we have entered into an agreement with SC USA to sell these receivables during the first quarter of 2010.

Credit Quality Dollars of two-months-and-over contractual delinquency as a percentage of receivables and receivables held for sale ("delinquency ratio") increased to 14.27 percent at December 31, 2009 as compared 12.52 percent at December 31, 2008. The 2009 delinquency ratio was favorably impacted by the December 2009 Charge-off Policy Changes discussed above which resulted in an acceleration in charge-off of certain delinquent real estate secured and personal non-credit card receivables. Excluding the impact to delinquency associated with these charge-off policy changes which reduced two-months-and over contractual delinquency by $3.5 billion, our delinquency ratio increased 507 basis points since December 31, 2008 to 17.59 percent, driven by higher delinquency levels in our Consumer Lending real estate secured receivable portfolio and lower receivable levels for all products. Excluding the impact of the December 2009 Charge-off Policy Changes, higher overall dollars of delinquency were driven by our Consumer Lending real estate secured receivable portfolio, partially offset by lower dollars of delinquency in our Mortgage Services real estate secured, auto finance, credit card and personal non-credit card receivable portfolios. Dollars of delinquency in our real estate secured receivable portfolios were negatively impacted by portfolio seasoning, lower modification levels and continued weakness in the housing and mortgage industry. The negative impact of these items resulted in higher dollars of delinquency for our Consumer Lending real estate secured receivable portfolio while the impact of these items on our Mortgage Services portfolio was more than offset by the continued liquidation and seasoning of the portfolio during 2009. Lower dollars of delinquency in our credit card and personal non-credit card receivable portfolios reflect higher levels of personal bankruptcy filings and lower receivable levels. Additionally, we believe the decrease in dollars of delinquency in our credit card and personal non-credit card receivable portfolios is, in part, a result of the risk mitigation actions we have taken since 2007 to tighten underwriting and reduce the risk profile of these portfolios. Lower delinquency levels for our personal non-credit card and auto finance receivable portfolios reflect the continued maturation of liquidating portfolios. Delinquency for all products was negatively impacted by the continued deterioration in the U.S. economy, including higher unemployment rates and portfolio seasoning. See "Credit Quality-Delinquency" for a more detailed discussion of our delinquency ratios.

Net charge-off of consumer receivables as a percentage of average consumer receivables ("net charge-off ratio") increased to 13.38 percent for 2009 as compared to 7.73 percent for 2008. The net charge-off ratio for 2009 was significantly impacted by the December 2009 Charge-off Policy Changes which increased dollars of net charge-off by $3.5 billion in 2009. Excluding the impact of this charge-off policy change, our net charge-off ratio increased 212 basis points to 9.85 percent during 2009 due to lower average consumer receivables, partially offset by lower overall dollars of net charge-offs as receivable levels declined at a faster pace than dollars of net charge-offs. Excluding incremental charge-offs associated with policies change, with the exception of personal non-credit card receivables, all products reported lower dollars of charge-offs in 2009 as compared to the prior year. Lower dollars of real estate receivable net charge-offs were driven by our Mortgage Services business as the portfolio continues to liquidate including lower charge-off of second lien loans which generally have higher loss severities than first lien loans. The lower dollars of real estate secured receivable charge-offs in our Mortgage Services business were partially offset by higher dollars of real estate secured receivable net charge-offs in our Consumer Lending business as a result of the continued weakening in the housing market and higher loss severities. Excluding the impact of the policy changes, dollars of net charge-offs of real estate secured receivables in both our Mortgage Services and Consumer Lending businesses were impacted by the volume of receivable re-ages and modifications, as well as continuing delays in foreclosure proceedings and actions by local governments and certain states that have lengthened the foreclosure process. Lower dollars of charge-off in our credit card portfolio reflects lower receivable levels, partially offset by higher levels of personal bankruptcy filings and lower recovery rates on defaulted receivables. Additionally, dollars of net charge-offs for our credit card receivable portfolio were impacted by the transfer of the GM and UP Portfolios to receivables held for sale in June 2008 and November 2008, respectively. Higher levels of net charge-offs for personal non-credit card receivables (excluding the impact of the December 2009 Charge-off Policy Changes) reflects higher levels of bankruptcy filings as well as the impact of the higher delinquency levels in late 2008 that have migrated to charge-off during 2009. Overall dollars of charge-off in 2009 for all products were negatively impacted by the continued deterioration in the U.S. economy, including higher unemployment rates, portfolio seasoning, higher levels of personal bankruptcy filings and for our real estate secured receivables continued weakening in the housing and mortgage industry. See "Credit Quality- Net Charge-offs of Consumer Receivables" for a more detailed discussion of our net charge-off ratios.

Funding and Capital During 2009, HSBC Investments (North America) Inc. ("HINO") made four capital contributions to us totaling $2.4 billion. Additionally, in late February 2009 we effectively converted $275 million of mandatorily redeemable preferred securities of the Household Capital Trust VIII to common stock by redeeming the junior subordinated notes underlying the preferred securities and then issuing common stock to HINO. These transactions served to support ongoing operations and to maintain capital above the minimum levels we believe are prudent. These capital contributions occurred subsequent to the dividend of $1.0 billion paid to HINO in January 2009 relating to the capital associated with the receivables sold to HSBC Bank USA. Until we return to profitability, we will remain dependent upon the continued capital support of HSBC to continue our business operations and maintain selected capital ratios.

During 2009, we retired $20.5 billion of term debt as it matured. Through planned balance sheet attrition, cash generated from operations, asset sales, capital contributions from HSBC, the issuance of cost effective retail debt and the acquisition of debt by HSBC institutional clients, we did not need to issue any underwritten institutional term debt in this turbulent funding environment.

The balance sheet and credit dynamics described above will have a significant impact on our liquidity and risk management processes. Lower cash flow resulting from declining receivable balances as well as lower cash generated from balance sheet attrition due to increased charge-offs, may not provide sufficient cash to fully cover maturing debt over the next four to five years. Required funding will be generated through a combination of capital infusions from HSBC and receivable portfolio sales. In the event a portion of this gap was met through issuances of unsecured term debt to either retail or institutional investors, these issuances would better match the projected cash flows of the remaining real estate secured receivable portfolio and partly reduce reliance on direct HSBC funding support. HSBC has indicated it remains fully committed and has the capacity to continue to provide such support.

The tangible common equity to tangible assets ratio was 7.60 percent and 6.68 percent at December 31, 2009 and 2008, respectively. This ratio represents a non-U.S. GAAP financial ratio that is used by HSBC Finance Corporation management, certain rating agencies and our credit providing banks to evaluate capital adequacy and may be different from similarly named measures presented by other companies. Effective September 30, 2009, we are required by our credit providing banks to maintain a minimum tangible common equity to tangible assets ratio of 6.75 percent. See "Basis of Reporting" and "Reconciliations to U.S. GAAP Financial Measures" for additional discussion and quantitative reconciliation to the equivalent U.S. GAAP basis financial measure.

On October 3, 2008, the United States Congress enacted the Emergency Economic Stabilization Act of 2008 (the "EESA") with the stated purpose of providing stability to and preventing disruption in the economy and financial system and protecting taxpayers. Pursuant to or in conjunction with the EESA, in 2008 and continuing into 2009 the U.S. Department of the Treasury and the federal banking and thrift regulatory agencies announced a series of initiatives intended to strengthen market stability, improve the strength of financial institutions and enhance market liquidity. As of December 31, 2009, the only program under the EESA in which we participated is the Commercial Paper Funding Facility ("CPFF") which provided a liquidity backstop to U.S. issuers of commercial paper. The program terminated on February 1, 2010. See "Liquidity and Capital Resources" in this MD&A for a further discussion of our participation in the CPFF. Given current market conditions, the elimination of this program will not have a material impact on our ability to continue to issue commercial paper.

Subject to regulatory approval, HSBC North America will be required to adopt Basel II provisions no later than April 1, 2011. While Basel II does not apply to us, as a subsidiary of HBSC North America we will be required to meet the risk-based capital requirements of Basel II as if we were subject to its provisions. Whether any increased capital will be required prior to the Basel II adoption date will be based on our prevailing risk profile.

Future Prospects Our operations are limited to our Card and Retail Services, Insurance Services and, at present, our Taxpayer Financial Services businesses. The receivables of our Consumer Lending, Mortgage Services and Auto Finance businesses will continue to run-off over several years.

Funding of our operations will continue to be dependent on balance sheet attrition, capital contributions from our parent and, to a lesser extent, access to the global capital markets. Numerous factors, both internal and external, may impact our access to, and the costs associated with, these markets. These factors may include the success of our efforts to restructure the risk profile of our operations, our debt ratings, overall economic conditions, overall capital markets volatility, the counterparty credit limits of investors to the HSBC Group and the effectiveness of our management of credit risks inherent in our customer base.

In 2008 and continuing into the early part of 2009, financial markets continued to be extremely volatile. New issue term debt markets were extremely challenging with issues attracting higher rates of interest than had historically been experienced and credit spreads for all issuers continuing to trade at historically wide levels. While the on-going financial market disruptions continued to impact credit spreads and liquidity, we have seen significant improvements in liquidity beginning in the second quarter of 2009 which continued through the end of the year. Credit spreads have narrowed due to increased market confidence stemming largely from the various government actions taken to restore faith in the capital markets As a result, capital markets have stabilized permitting unsecured term debt issuances and selected asset backed securities issuances.

Our results are also impacted by general economic conditions, primarily unemployment, weakness in the housing market and property valuations and interest rates which are largely out of our control. Because we have historically lent to customers who have limited credit histories, modest incomes and high debt-to-income ratios or who have experienced prior credit problems, our customers are generally more susceptible to economic slowdowns than other consumers. When unemployment increases or changes in the rate of home value appreciation or depreciation occur, a higher percentage of our customers default on their loans and our charge-offs increase. Changes in interest rates generally affect both the rates that we charge to our customers and the rates that we must pay on our borrowings. In 2009, the interest rates that we paid on our short-term debt decreased. We also experienced lower yields on our receivables in 2009 as a result of increased levels of loan modifications, deterioration in credit quality including lower levels of performing receivables, and decreases in rates on variable rate products which reflected market rate movements. The primary risks to our performance in 2010 are largely dependent upon macro-economic conditions which include a weak housing market, high unemployment rates, the nature and timing of any economic recovery, the performance of modified loans, reduced consumer spending and consumer confidence, all of which could impact loan volume, delinquencies, charge-offs, net interest income and ultimately our results of operations.

Basis of Reporting

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). Unless noted, the discussion of our financial condition and results of operations included in MD&A are presented on a continuing operations basis of reporting. Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

In addition to the U.S. GAAP financial results reported in our consolidated financial statements, MD&A includes reference to the following information which is presented on a non-U.S. GAAP basis:

Equity Ratios Tangible common equity to tangible assets is a non-U.S. GAAP financial measures that is used by HSBC Finance Corporation management, certain rating agencies and our credit providing banks to evaluate capital adequacy. This ratio excludes the equity impact of unrealized gains losses on cash flow hedging instruments, postretirement benefit plan adjustments and unrealized gains (losses) on investments and interest-only strip receivables as well as subsequent changes in fair value recognized in earnings associated with debt for which we elected the fair value option and the related derivatives. This ratio may differ from similarly named measures presented by other companies. The most directly comparable U.S. GAAP financial measure is the common and preferred equity to total assets ratio. For a quantitative reconciliation of these non-U.S. GAAP financial measures to our common and preferred equity to total assets ratio, see "Reconciliations to U.S. GAAP Financial Measures."

International Financial Reporting Standards Because HSBC reports results in accordance with International Financial Reporting Standards ("IFRSs") and IFRSs results are used in measuring and rewarding performance of employees, our management also separately monitors net income under IFRSs (a non-U.S. GAAP financial measure). All purchase accounting fair value adjustments relating to our acquisition by HSBC have been "pushed

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholder
HSBC Finance Corporation:

We have audited the accompanying consolidated balance sheets of HSBC Finance Corporation (a Delaware corporation), an indirect wholly-owned subsidiary of HSBC Holdings plc, and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income (loss), changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2009. These consolidated financial statements are the responsibility of HSBC Finance Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned consolidated financial statements referred to above present fairly, in all material respects, the financial position of HSBC Finance Corporation and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), HSBC Finance Corporation's internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 1, 2010 expressed an unqualified opinion on the effectiveness of HSBC Finance Corporation's internal control over financial reporting.

/s/ KPMG LLP
Chicago, Illinois
March 1, 2010

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholder
HSBC Finance Corporation:

We have audited HSBC Finance Corporation's internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). HSBC Finance Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Assessment of Internal Control over Financial Reporting. Our responsibility is to express an opinion on the HSBC Finance Corporation's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, HSBC Finance Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of HSBC Finance Corporation (a Delaware corporation), an indirect wholly-owned subsidiary of HSBC Holdings plc, and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income (loss), changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2009, and our report dated March 1, 2010 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP
Chicago, Illinois
March 1, 2010

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, HSBC Finance Corporation has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this, the 1st day of March, 2010.

HSBC FINANCE CORPORATION

By: /s/ Niall S. K. Booker
Niall S. K. Booker
Chief Executive Officer

Each person whose signature appears below constitutes and appoints P. D. Schwartz and M. J. Forde as his/her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him/her in his/her name, place and stead, in any and all capacities, to sign and file, with the Securities and Exchange Commission, this Form 10-K and any and all amendments and exhibits thereto, and all documents in connection therewith, granting unto each such attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he/she might or could do in person, hereby ratifying and confirming all that such attorneys-in-fact and agents or their substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of HSBC Finance Corporation and in the capacities indicated on the 1st day of March, 2010.

Signature	Title
/s/ (N. S. K. BOOKER) (N. S. K. Booker)	Chief Executive Officer and Director (as Principal Executive Officer)
/s/ (R. K. HERDMAN) (R. K. Herdman)	Director
/s/ (G. A. LORCH) (G. A. Lorch)	Director
/s/ (B. P. MCDONAGH) (B. P. McDonagh)	Chairman and Director
/s/ (S. MINZBERG) (S. Minzberg)	Director
/s/ (B. R. PEREZ) (B. R. Perez)	Director
/s/ (L. M. RENDA) (L. M. Renda)	Director
/s/ (E. D. ANCONA) (E. D. Ancona)	Senior Executive Vice President and Chief Financial Officer
/s/ (J. T. MCGINNIS) (J. T. McGinnis)	Executive Vice President and Chief Accounting Officer

Exhibit Index

3(i)	Amended and Restated Certificate of Incorporation of HSBC Finance Corporation effective as of December 15, 2004, as amended (incorporated by reference to Exhibit 3.1 of HSBC Finance Corporation's Current Report on Form 8-K filed June 22, 2005 and Exhibit 3.1(b) of HSBC Finance Corporation's Current Report on Form 8-K filed December 19, 2005).
3(ii)	Bylaws of HSBC Finance Corporation, as amended February 20, 2009 (incorporated by reference to Exhibit 3.3 of HSBC Finance Corporation's Current Report on Form 8-K filed on February 24, 2009).
4.1	Amended and Restated Standard Multiple-Series Indenture Provisions for Senior Debt Securities of HSBC Finance Corporation dated as of December 15, 2004 (incorporated by reference to Exhibit 4.1 of Amendment No. 1 to HSBC Finance Corporation's Registration Statements on Form S-3 Nos. 333-120494, 333-120495 and 333-120496 filed December 16, 2004).
4.2	Amended and Restated Indenture for Senior Debt Securities dated as of December 15, 2004 between HSBC Finance (successor to Household Finance Corporation) and U.S. Bank National Association (formerly known as First Trust of Illinois, National Association, successor in interest to Bank of America Illinois, formerly known as Continental Bank, National Association), as Trustee, amending and restating the Indenture dated as of October 1, 1992 between Household Finance Corporation and the Trustee (incorporated by reference to Exhibit 4.3 to Amendment No. 1 to the Company's Registration Statement on Form S-3, Registration No. 333-120494).
4.3	Amended and Restated Indenture for Senior Debt Securities dated as of December 15, 2004 between HSBC Finance (successor to Household Finance Corporation) and The Bank of New York Mellon Trust Company, N.A. (formerly BNY Midwest Trust Company, formerly Harris Trust and Savings Bank), as Trustee, amending and restating the Indenture dated as of December 19, 2003 between Household Finance Corporation and the Trustee (incorporated by reference to Exhibit 4.4 to Amendment No. 1 to the Company's Registration Statement on Form S-3, Registration No. 333-120494).
4.4	Amended and Restated Indenture for Senior Debt Securities dated as of December 15, 2004 between HSBC Finance (successor to Household Finance Corporation) and The Bank of New York Mellon Trust Company, N.A. (as successor to J.P. Morgan Trust Company, National Association, as successor in interest to Bank One, National Association, formerly known as the First National Bank of Chicago), as Trustee, amending and restating the Indenture dated as of April 1, 1995 between Household Finance Corporation and the Trustee (incorporated by reference to Exhibit 4.5 to Amendment No. 1 to the Company's Registration Statement on Form S-3, Registration No. 333-120494).
4.5	Indenture for Senior Debt Securities dated as of March 7, 2007 between HSBC Finance and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.12 to the Company's Registration Statement on Form S-3, Registration No. 333-130580).
4.6	Indenture for Senior Subordinated Debt Securities dated December 17, 2008 between HSBC Finance and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.2 to the company's Registration Statement on Form S-3, Registration No. 333-156219).
4.7	Amended and Restated Indenture for Senior Debt Securities dated as of December 15, 2004 between HSBC Finance Corporation (successor to Household Finance Corporation) and The Bank of New York Mellon Trust Company, N.A., as Trustee, amended and restating the Indenture for Senior Debt Securities dated December 1, 1993 between Household Finance Corporation and The Bank of New York Mellon Trust Company, N.A. (as successor to JPMorgan Chase Bank, N.A., as successor to The Chase Manhattan Bank (National Association)), as Trustee (incorporated by reference to Exhibit 4.2 to Amendment No. 1 to the Company's Registration Statement on Form S-3, Registration No. 333-120495).
4.8	Amended and Restated Indenture for Senior Debt Securities dated as of December 15, 2004 between HSBC Finance Corporation (successor to Household Finance Corporation) and The Bank of New York Mellon Trust Company, N.A., as Trustee, amended and restating the Indenture for Senior Debt Securities dated March 1, 2001 and amended and restated April 30, 2003, between Household Finance Corporation and The Bank of New York Mellon Trust Company, N.A. (as successor to JPMorgan Chase Bank, N.A., formerly known as The Chase Manhattan Bank), as Trustee (incorporated by reference to Exhibit 4.2 to Amendment No. 1 to the Company's Registration Statement on Form S-3, Registration No. 333-120496).
4.9	The principal amount of debt outstanding under each other instrument defining the rights of Holders of our long-term senior and senior subordinated debt does not exceed 10 percent of our total assets. HSBC Finance Corporation agrees to furnish to the Securities and Exchange Commission, upon request, a copy of each instrument defining the rights of holders of our long-term senior and senior subordinated debt.

12	Statement of Computation of Ratio of Earnings to Fixed Charges and to Combined Fixed Charges and Preferred Stock Dividends.
14	Code of Ethics for Senior Financial Officers (incorporated by reference to Exhibit 14 of HSBC Finance Corporation's Annual Report on Form 10-K for the year ended December 31, 2004 filed February 28, 2005).
21	Subsidiaries of HSBC Finance Corporation.
23	Consent of KPMG LLP, Independent Registered Public Accounting Firm.
24	Power of Attorney (included on the signature page of this Form 10-K).
31	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

EXHIBIT 12

HSBC FINANCE CORPORATION
COMPUTATION OF RATIO OF EARNINGS (LOSS) TO FIXED CHARGES AND TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

Year Ended December 31,	2009	2008	2007	2006	2005
	(dollars are in millions)				
Income (loss) from continuing operations	**$ (7,450)**	$(2,751)	$(4,378)	$1,485	$1,771
Income tax expense (benefit)	**(2,620)**	(1,166)	(913)	837	891
Income (loss) from continuing operations before income tax expense (benefit)	**(10,070)**	(3,917)	(5,291)	2,322	2,662
Fixed charges:					
Interest expense	**4,132**	6,274	7,711	6,996	4,275
Interest portion of rentals[1]	**37**	37	59	50	50
Total fixed charges	**4,169**	6,311	7,770	7,046	4,325
Total earnings from continuing operations as defined	**$ (5,901)**	$ 2,394	$ 2,479	$9,368	$6,987
Ratio of earnings to fixed charges	**(1.42)**	.38	.32	1.33	1.62
Preferred stock dividends[2]	**57**	57	58	57	125
Ratio of earnings to combined fixed charges and preferred stock dividends	**(1.40)**	.38	.32	1.32	1.57

(1) Represents one-third of rentals, which approximates the portion representing interest.

(2) Preferred stock dividends are grossed up to their pretax equivalents.

EXHIBIT 21

Subsidiaries of HSBC Finance Corporation

Names of Subsidiaries	US — State Organized
AHLIC Investment Holdings Corporation	Delaware
B.I.G. Insurance Agency, Inc.	Ohio
Beaver Valley, Inc.	Delaware
Bencharge Credit Service Holding Company	Delaware
Beneficial Commercial Corporation	Delaware
Beneficial Commercial Holding Corporation	Delaware
Beneficial Company LLC	Delaware
Beneficial Connecticut Inc.	Delaware
Beneficial Consumer Discount Company	Pennsylvania
dba BMC of PA	
Beneficial Credit Services Inc.	Delaware
Beneficial Credit Services of Connecticut Inc.	Delaware
Beneficial Credit Services of Mississippi Inc.	Delaware
Beneficial Credit Services of South Carolina Inc.	Delaware
Beneficial Direct, Inc.	New Jersey
Beneficial Finance Co.	Delaware
Beneficial Financial I Inc.	California
dba Beneficial Member HSBC Group	
Beneficial Financial II LLC	Delaware
Beneficial Florida Inc.	Delaware
Beneficial Franchise Company Inc.	Delaware
Beneficial Homeowner Service Corporation	Delaware
Beneficial Investment Co.	Delaware
Beneficial Kentucky Inc.	Delaware
Beneficial Leasing Group, Inc.	Delaware
Beneficial Loan & Thrift Co.	Minnesota
Beneficial Louisiana Inc.	Delaware
Beneficial Maine Inc.	Delaware
dba Beneficial Credit Services of Maine	
Beneficial Management Corporation of America	Delaware
Beneficial Management Headquarters, Inc.	New Jersey
Beneficial Massachusetts Inc.	Delaware
Beneficial Michigan Inc.	Delaware
Beneficial Mortgage Corporation	Delaware
Beneficial New Hampshire Inc.	Delaware
Beneficial New York Inc.	New York
Beneficial Oregon Inc.	Delaware
Beneficial Real Estate Joint Ventures, Inc.	Delaware
Beneficial Rhode Island Inc.	Delaware
Beneficial South Dakota Inc.	Delaware
Beneficial Tennessee Inc.	Tennessee
Beneficial West Virginia, Inc.	West Virginia

Names of Subsidiaries	US — State Organized
Beneficial Wyoming Inc.	Wyoming
BFC Insurance Agency of Nevada	Nevada
BMC Holding Company	Delaware
Cal-Pacific Services, Inc.	California
Capital Financial Services Inc.	Nevada
dba Capital Financial Services I Inc.	
dba Capital Financial Services No. 1 Inc.	
dba CFSI, Inc.	
dba HB Financial Services	
Chattanooga Valley Associates	Tennessee
Chattanooga Valley Corporation	Connecticut
Decision One Mortgage Company, LLC	North Carolina
Eighth HFC Leasing Corporation	Delaware
Fifth HFC Leasing Corporation	Delaware
First Central National Life Insurance Company of New York	New York
Fourteenth HFC Leasing Corporation	Delaware
Fourth HFC Leasing Corporation	Delaware
Harbour Island Inc.	Florida
HFC Agency of Missouri, Inc.	Missouri
HFC Commercial Realty, Inc.	Delaware
HFC Company LLC	Delaware
HFC Financial I LLC	Delaware
HFC Financial II LLC	Delaware
HFC Leasing Inc.	Delaware
HFS Investments, Inc.	Nevada
HFTA Corporation	Delaware
Household Capital Markets LLC	Delaware
Household Commercial Financial Services, Inc.	Delaware
Household Commercial of California, Inc.	California
Household Consumer Loan Corporation II	Delaware
Household Finance Consumer Discount Company	Pennsylvania
Household Finance Corporation II	Delaware
dba Household Finance Corporation of Virginia	
Household Finance Corporation III	Delaware
dba HFC Mortgage of Nebraska	
dba Household Mortgage Services	
dba HSBC Mortgage	
Household Finance Corporation of Alabama	Alabama
Household Finance Corporation of California	Delaware
Household Finance Corporation of Nevada	Delaware
Household Finance Corporation of West Virginia	West Virginia
Household Finance Industrial Loan Company	Washington
Household Finance Industrial Loan Company of Iowa	Iowa
Household Finance Realty Corporation of Nevada	Delaware
Household Finance Realty Corporation of New York	Delaware

Names of Subsidiaries	US — State Organized
Household Financial Center Inc.	Tennessee
Household Global Funding, Inc.	Delaware
Household Industrial Finance Company	Minnesota
Household Industrial Loan Co. of Kentucky	Kentucky
Household Insurance Agency, Inc. Nevada	Nevada
Household Insurance Group Holding Company	Delaware
Household Insurance Group, Inc.	Delaware
Household Investment Funding, Inc.	Delaware
Household Ireland Holdings Inc.	Delaware
Household Life Insurance Co. of Arizona	Arizona
Household Life Insurance Company	Michigan
Household Life Insurance Company of Delaware	Delaware
Household Pooling Corporation	Nevada
Household Realty Corporation	Delaware
dba Household Realty Corporation of Virginia	
Household Recovery Services Corporation	Delaware
Household Servicing, Inc.	Delaware
Household Tax Masters Acquisition Corporation	Delaware
Housekey Financial Corporation	Illinois
HSBC – GR Corp.	Delaware
HSBC Auto Accounts Inc.	Delaware
HSBC Auto Credit Inc.	Delaware
HSBC Auto Finance Inc.	Delaware
HSBC Auto Receivables Corporation	Nevada
HSBC Bank Nevada, N. A	United States
HSBC Card Services Inc.	Delaware
HSBC Card Services (III) Inc.	Nevada
HSBC Consumer Lending (USA) Inc.	Delaware
HSBC Credit Center, Inc.	Delaware
HSBC Home Equity Loan Corporation I	Delaware
HSBC Home Equity Loan Corporation II	Delaware
HSBC Insurance Company of Delaware	Ohio
HSBC Mortgage Services Inc.	Delaware
HSBC Mortgage Services Warehouse Lending Inc.	Delaware
HSBC Pay Services Inc.	Delaware
HSBC Receivables Acquisition Company I	Delaware
HSBC Receivables Funding Inc. II	Delaware
HSBC Retail Services Inc.	Delaware
HSBC Taxpayer Financial Services Inc.	Delaware
HSBC TFS I 2005 LLC	Delaware
HSBC TFS I LLC	Delaware
HSBC TFS II 2005 LLC	Delaware
HSBC TFS II LLC	Delaware
Hull 752 Corporation	Delaware
Hull 753 Corporation	Delaware

Names of Subsidiaries	US — State Organized
Lapar Associates Limited Partnership	Connecticut
Macray Corporation	California
Metris Receivables, Inc.	Delaware
Mortgage One Corporation	Delaware
Mortgage Two Corporation	Delaware
MTX LLC	Delaware
Neil Corporation	Delaware
Nineteenth HFC Leasing Corporation	Delaware
Palatine Hills Leasing, Inc.	Delaware
PHL One, Inc.	Delaware
PHL Three, Inc.	Tennessee
PHL Four, Inc.	New Jersey
Pargen Corporation	California
Rapal Associates Limited Partnership	Connecticut
Real Estate Collateral Management Company	Delaware
Renaissance Bankcard Services of Kentucky	Kentucky
Service Management Corporation	Ohio
Silliman Associates Limited Partnership	Massachusetts
Silliman Corporation	Delaware
Sixth HFC Leasing Corporation	Delaware
Southwest Texas General Agency, Inc.	Texas
SPE 1 2005 Manager Inc.	Delaware
SPE 1 Manager Inc.	Delaware
Third HFC Leasing Corporation	Delaware
Thirteenth HFC Leasing Corporation	Delaware
Valley Properties Corporation	Tennessee
Wasco Properties, Inc.	Delaware

Non-US Affiliates

Names of Subsidiaries	Country Organized
BFC Insurance (Life) Limited	Ireland
BFC Insurance Limited	Ireland
BFC Ireland (Holdings) Limited	Ireland
BFC Pension Plan (Ireland) Limited	Ireland
BFC Reinsurance Limited	Ireland
ICOM Limited	Bermuda

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm

To the Board of Directors of HSBC Finance Corporation:

We consent to the incorporation by reference in the Registration Statements No. 2-86383, No. 33-21343, No. 33-45454, No. 33-45455, No. 33-52211, No. 33-58727, No. 333-00397, No. 333-03673, No. 333-36589, No. 333-39639, No. 333-47073, No. 333-58291, No. 333-58289, No. 333-58287, No. 333-30600, No. 333-50000, No. 333-70794, No. 333-71198, No. 333-83474 and No. 333-99107 on Form S-8 and Registration Statements No. 33-64175, No. 333-14459, No. 333-47945, No. 333-33240, No. 333-56152, No. 333-61964, No. 333-73746, No. 333-75328, No. 333-85886, No. 33-57249, No. 333-60510, No. 333-100737, No. 333-120494, No. 333-120495, No. 333-120496, No. 333-130580, No. 333-128369 and No. 333-156219 on Form S-3 of HSBC Finance Corporation (the Company) of our reports dated March 1, 2010, with respect to the consolidated balance sheets of the Company as of December 31, 2009 and 2008, and the related consolidated statements of income (loss), changes in the shareholder's equity, and cash flows for each of the years in the three-year period ended December 31, 2009, and the effectiveness of internal control over financial reporting as of December 31, 2009, which reports appear in the December 31, 2009 annual report on Form 10-K of the Company.

/s/ KPMG LLP

Chicago, Illinois
March 1, 2010

EXHIBIT 31

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

Certification of Chief Executive Officer

I, Niall S.K. Booker, Chief Executive Officer of HSBC Finance Corporation, certify that:

1. I have reviewed this report on Form 10-K of HSBC Finance Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2010

/s/ NIALL S.K. BOOKER

Niall S.K. Booker
Chief Executive Officer

Certification of Chief Financial Officer

I, Edgar D. Ancona, Senior Executive Vice President and Chief Financial Officer of HSBC Finance Corporation, certify that:

1. I have reviewed this report on Form 10-K of HSBC Finance Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2010

/s/ EDGAR D.ANCONA

Edgar D. Ancona
Senior Executive Vice President
and Chief Financial Officer

EXHIBIT 32

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The certification set forth below is being submitted in connection with the HSBC Finance Corporation (the "Company") Annual Report on Form 10-K for the period ending December 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Niall S.K. Booker, Chief Executive Officer of the Company, certify that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of HSBC Finance Corporation.

Date: March 1, 2010

/s/ NIALL S.K. BOOKER

Niall S.K. Booker
Chief Executive Officer

Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The certification set forth below is being submitted in connection with the HSBC Finance Corporation (the "Company") Annual Report on Form 10-K for the period ending December 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

I, Edgar D. Ancona, Senior Executive Vice President and Chief Financial Officer of the Company, certify that:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of HSBC Finance Corporation.

Date: March 1, 2010

/s/ EDGAR D. ANCONA

Edgar D. Ancona
Senior Executive Vice President
and Chief Financial Officer

These certifications accompany each Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by HSBC Finance Corporation for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

Signed originals of these written statements required by Section 906 of the Sarbanes-Oxley Act of 2002 have been provided to HSBC Finance Corporation and will be retained by HSBC Finance Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Ex. Coppenrath 2

RESTRICTED DOCUMENT PURSUANT TO LOCAL RULE 26.2

FILED UNDER SEAL PURSUANT TO PROTECTIVE ORDER DATED NOVEMBER 5, 2004 AND MINUTE ORDER DATED OCTOBER 10, 2006

Ex. Coppenrath 3

RESTRICTED DOCUMENT PURSUANT TO LOCAL RULE 26.2

FILED UNDER SEAL PURSUANT TO PROTECTIVE ORDER DATED NOVEMBER 5, 2004 AND MINUTE ORDER DATED OCTOBER 10, 2006

Ex. Coppenrath 4

RESTRICTED DOCUMENT PURSUANT TO LOCAL RULE 26.2

FILED UNDER SEAL PURSUANT TO PROTECTIVE ORDER DATED NOVEMBER 5, 2004 AND MINUTE ORDER DATED OCTOBER 10, 2006

Ex. Coppenrath 5

RESTRICTED DOCUMENT PURSUANT TO LOCAL RULE 26.2

FILED UNDER SEAL PURSUANT TO PROTECTIVE ORDER DATED NOVEMBER 5, 2004 AND MINUTE ORDER DATED OCTOBER 10, 2006