HSBC HOLDINGS PLC
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FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a - 16 or 15d - 16 of

the Securities Exchange Act of 1934

Commission File Number: 001-14930

For the month of February 2018

HSBC Holdings plc

42nd Floor, 8 Canada Square, London E14 5HQ, England

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F).

Form 20-F X Form 40-F ......

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ......

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Yes .... No X

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Pillar 3 Disclosures at 31 December 2017

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Certain defined terms

Unless the context requires otherwise, ‘HSBC Holdings’ means HSBC Holdings plc and ‘HSBC’, the ‘Group’, ‘we’, ‘us’ and ‘our’ refer to HSBC Holdings together with its subsidiaries. Within this document the Hong Kong Special Administrative Region of the People’s Republic of China is referred to as ‘Hong Kong’. When used in the terms ‘shareholders’ equity’ and ‘total shareholders’ equity’, ‘shareholders’ means holders of HSBC Holdings ordinary shares and those preference shares and capital securities issued by HSBC Holdings classified as equity. The abbreviations ‘$m’ and ‘$bn’ represent millions and billions (thousands of millions) of US dollars respectively.

Tables

Pillar 3 Disclosures at 31 December 2017

Introduction

Table 1: Key metrics

		Footnotes	At 31 Dec 2017
	Available capital ($bn)	1	
1	Common equity tier 1 ('CET1') capital		126.1
2	Tier 1 capital		151.0
3	Total regulatory capital		182.4
	Risk-weighted assets ('RWAs') ($bn)		
4	Total RWAs		871.3
	Capital ratios (%)		
5	CET1		14.5
6	Total tier 1		17.3
7	Total capital		20.9
	Additional CET1 buffer requirements as a percentage of RWA (%)		
8	Capital conservation buffer requirement		1.25
9	Countercyclical buffer requirement		0.22
10	Bank G-SIB and/or D-SIB additional requirements		1.25
11	Total of bank CET1 specific buffer requirements		2.72
12	CET1 available after meeting the bank's minimum capital requirements		8.0
	Leverage ratio		
13	Total leverage ratio exposure measure ($bn)		2,557.1
14	Leverage ratio (%)	2	5.6
	Liquidity Coverage Ratio ('LCR')		
15	Total high-quality liquid assets ($bn)		512.6
16	Total net cash outflow ($bn)		359.9
17	LCR ratio (%)	3	142.2

1 Capital figures are reported on a transitional basis.
2 Leverage ratio is calculated on a fully phased-in basis.
3 LCR ratio is calculated as at 31 December 2017.

Regulatory framework for disclosures

HSBC is supervised on a consolidated basis in the United Kingdom ('UK') by the Prudential Regulation Authority ('PRA'), which receives information on the capital adequacy of, and sets capital requirements for, the Group as a whole. Individual banking subsidiaries are directly regulated by their local banking supervisors, who set and monitor their local capital adequacy requirements. In most jurisdictions, non-banking financial subsidiaries are also subject to the supervision and capital requirements of local regulatory authorities.

At a consolidated group level, we calculated capital for prudential regulatory reporting purposes throughout 2017 using the Basel III framework of the Basel Committee ('Basel') as implemented by the European Union ('EU') in the amended Capital Requirements Directive and Regulation ('CRD IV'), and in the PRA's Rulebook for the UK banking industry. The regulators of Group banking entities outside the EU are at varying stages of implementation of the Basel

Committee's framework, so local regulation in 2017 may have been on the basis of Basel I, II or III.

The Basel Committee's framework is structured around three 'pillars': the Pillar 1 minimum capital requirements and Pillar 2 supervisory review process are complemented by Pillar 3 market discipline. The aim of Pillar 3 is to produce disclosures that allow market participants to assess the scope of application by banks of the Basel Committee's framework and the rules in their jurisdiction, their capital condition, risk exposures and risk management processes, and hence their capital adequacy.

Pillar 3 requires all material risks to be disclosed to provide a comprehensive view of a bank's risk profile.

The PRA's final rules adopted national discretions in order to accelerate significantly the transition timetable to full 'end point' CRD IV compliance.

Pillar 3 disclosures

HSBC's Pillar 3 disclosures at December 2017 comprise all information required under Pillar 3, both quantitative and qualitative. They are made in accordance with Part 8 of the Capital Requirements Regulation within CRD IV and the European Banking Authority's ('EBA') final standards on revised Pillar 3 disclosures issued in December 2016. These disclosures are supplemented by specific additional requirements of the PRA and discretionary disclosures on our part.

The Pillar 3 disclosures are governed by the Group's disclosure policy framework as approved by the Group Audit Committee ('GAC'). Information relating to the rationale for withholding certain disclosures is provided in Appendix III.

In our disclosures, to give insight into movements during the year, we provide comparative figures for the previous year, analytical review of variances and 'flow' tables for capital requirements.

Key ratios and figures are reflected throughout the Pillar 3 disclosures at December 2017 and a summary is presented in Table 1. Where disclosures have been enhanced, or are new, we do not generally restate or provide prior year comparatives. The capital resources tables track the position from a CRD IV transitional to an end point basis.

We publish comprehensive Pillar 3 disclosures annually on the HSBC website www.hsbc.com, concurrently with the release of our Annual Report and Accounts 2017. A separate Pillar 3 document is also published at half-year following our Interim Report disclosure. Quarterly earnings releases also include regulatory information in line with the new requirements on the frequency of regulatory disclosures.

Pillar 3 requirements may be met by inclusion in other disclosure media. Where we adopt this approach, references are provided to the relevant pages of the Annual Report and Accounts 2017 or other locations.

We continue to engage in the work of the UK authorities and industry associations to improve the transparency and comparability of UK banks' Pillar 3 disclosures.

Regulatory developments

Basel Committee

In December, the Basel Committee ('Basel') published the revisions to the Basel III framework (sometimes referred to as 'Basel IV'). The final package includes:

- widespread changes to the risk weights under the standardised approach to credit risk;
- a change in the scope of application of the internal ratings based ('IRB') approach to credit risk, together with changes to the IRB methodology;
- the replacement of the operational risk approaches with a single methodology;
- an amended set of rules for the credit valuation adjustment ('CVA') capital framework;
- an aggregate output capital floor that ensures that banks' total risk-weighted assets are no lower than 72.5% of those generated by the standardised approaches; and
- changes to the exposure measure for the leverage ratio, together with the imposition of a leverage ratio buffer for global systemically important institutions ('G-SIB'). This will take the form of a tier 1 capital buffer set at 50% of the G-SIB's RWAs capital buffer.

Basel has announced that the package will be implemented on 1 January 2022, with a five-year transitional provision for the output floor from that date, commencing at a rate of 50%.

HSBC is currently evaluating the final package. Given that the package contains a significant number of national discretions and that Basel has committed to re-calibrate the market risk elements

of the final framework during 2018, significant uncertainty remains as to the impact.

In all instances, the final standards will have to be transposed into the relevant local law before coming into effect. In addition, during 2017, Basel proposed other revisions to the regulatory capital framework. In particular, it published:

- a discussion paper on the treatment of sovereign exposures;
- the final guidelines regarding the identification and management of step-in risk;
- the interim regulatory treatment and transitional requirements for International Financial Reporting Standard 9, Financial Instruments ('IFRS 9') provisions;
- the final phase 2 Pillar 3 standards; and
- proposals to revise the G-SIB assessment framework.

Financial Stability Board

In July, the Financial Stability Board ('FSB') expanded its resolution reform policy framework with the publication of its 'Guiding Principles on the Internal Total Loss-absorbing Capacity of G-SIBs ('Internal TLAC')'. These guidelines supplement the FSB's TLAC standard published in November 2015. In addition, the FSB published consultations on other outstanding issues related to its resolution framework. Again, these need to be incorporated into the relevant local law before coming into effect.

European Union

In the EU, elements of Basel's and the FSB's reforms are being implemented through revisions to the Capital Requirements Regulation and Capital Requirements Directive (collectively referred to as 'CRR2') and the EU resolution framework. The key components of CRR2 include changes to the market risk framework under the Fundamental Review of the Trading Book, changes to the counterparty credit risk framework and a binding leverage ratio. It also includes details of the minimum requirements for TLAC, which in the EU is known as the 'Minimum Requirements for own funds and Eligible Liabilities' ('MREL'). The CRR2 changes are expected to be finalised in 2018 and apply from 1 January 2021, although certain elements, such as MREL, are expected to apply from 1 January 2019.

In December, the EU's IFRS 9 transitional capital arrangements were published formally and the EBA published its final guidelines on the IFRS 9 disclosures. Separately, the final changes to the capital rules on securitisation were also published formally by the EU with implementation expected on 1 January 2019 for new transactions and on 1 January 2020 for existing positions. In addition, during 2017, the EBA published a consultation on the methods of prudential consolidation under the EU's rules.

Also in December, in line with the EU's rules, the requirement to have a Basel I floor lapsed and the PRA confirmed that its application is no longer required. A new output floor will be implemented as part of the Basel IV amendments.

Bank of England

In March, HSBC received from the Bank of England ('BoE') its indicative MREL requirement applicable to HSBC Holdings plc and its European Resolution Group (comprised of HSBC Bank plc and its subsidiaries). This includes interim MREL requirements effective from 1 January 2019 and final requirements effective from 1 January 2022. The BoE also confirmed formally that 'multiple-point-of-entry' ('MPE') is the preferred resolution strategy for HSBC. In May, the BoE published the quantum of MREL requirements for major UK banks.

In addition, during 2017, the BoE and the PRA proposed other revisions to the regulatory capital and MREL frameworks. In particular, they published proposals and/or final rules setting out:

- the approach to setting internal MREL and the setting of MREL for MPE groups;
- the interaction of MREL with both the capital and leverage ratio buffers;
- changes to the groups and double leverage policy;
- the policy refining the PRA's Pillar 2A capital requirements and disclosure; and
- the policy to ensure that valuation processes do not impede resolvability.

The PRA also published its final rules on the exclusion of claims on central banks from the UK leverage ratio framework and the re-calibration of the minimum leverage ratio for HSBC from 3% to 3.25% of tier 1 capital. These changes took effect in October 2017.

Lastly, in June, the Financial Policy Committee raised the countercyclical buffer rate for UK exposures to 0.5%, to apply from June 2018 and in November, increased it further to 1% with binding effect from November 2018.

Risk management

Our risk management framework

We use an enterprise-wide, risk management framework across the organisation and across all risk types. It is underpinned by our risk culture and is reinforced by the HSBC Values and our Global Standards programme.

The framework fosters continuous monitoring of the risk environment, and an integrated evaluation of risks and their interactions. It also ensures we have a consistent approach to monitoring, managing and mitigating the risks we accept and incur in our activities. Further information on our risk management framework is set out on page 106 of the Annual Report and Accounts 2017. The management and mitigation of principal risks facing the Group is described in our top and emerging risks on page 95 of the Annual Report and Accounts 2017.

Commentary on hedging strategies and associated processes can be found in the Market risk and Securitisation sections of this document. Additionally, a comprehensive overview of this topic can be found in Note 1.2(e) on page 227 of the Annual Report and Accounts 2017.

Risk culture

HSBC has long recognised the importance of a strong risk culture, the fostering of which is a key responsibility of senior executives. Our risk culture is reinforced by the HSBC Values and our Global Standards programme. It is instrumental in aligning the behaviours of individuals with our attitude to assuming and managing risk, which helps to ensure that our risk profile remains in line with our risk appetite.

Our risk culture is further reinforced by our approach to remuneration. Individual awards, including those for senior executives, are based on compliance with the HSBC Values and the achievement of financial and non-financial objectives that are aligned to our risk appetite and strategy.

Further information on risk and remuneration is set out on pages 95 and 203 of the Annual Report and Accounts 2017.

Risk governance

The Board has ultimate responsibility for the effective management of risk and approves HSBC's risk appetite. It is advised on risk-related matters by the Group Risk Committee ('GRC'), the Financial System Vulnerabilities Committee ('FSVC') and the Conduct and Values Committee ('CVC'). The activities of the GRC, FSVC and CVC are set out on pages 175 to 177 of the Annual Report and Accounts 2017.

Executive accountability for the ongoing monitoring, assessment and management of the risk environment and the effectiveness of the risk management framework resides with the Group Chief Risk Officer. He is supported by the Risk Management Meeting ('RMM') of the Group Management Board.

The management of financial crime risk resides with the Group Head of Financial Crime Risk. He is supported by the Financial Crime Risk Management Meeting, as described on page 118 of the Annual Report and Accounts 2017.
Day-to-day responsibility for risk management is delegated to senior managers with individual accountability for decision making. These senior managers are supported by global functions. All employees have a role to play in risk management. These roles are defined using the three lines of defence model, which takes into account the Group's business and functional structures (see page 107 of the Annual Report and Accounts 2017).
Our executive risk governance structures ensure appropriate oversight and accountability for risk, which facilitates the reporting and escalation to the RMM (see page 107 of the Annual Report and Accounts 2017).

Risk appetite

Risk appetite is a key component of our management of risk. It describes the aggregate level and risk types that we are willing to accept in achieving our medium to long-term business objectives. In HSBC, risk appetite is managed through a global risk appetite framework and articulated in a risk appetite statement ('RAS'), which is approved biannually by the Board on the advice of the GRC.
The Group's risk appetite informs our strategic and financial planning process, defining the desired forward-looking risk profile of the Group. It is also integrated within other risk management tools, such as the top and emerging risks report and stress testing, to ensure consistency in risk management. Information on our risk management tools is set out on page 107 of the Annual Report and Accounts 2017. Details on the Group's overarching risk appetite are set out on page 95 of the Annual Report and Accounts 2017.

Stress testing

HSBC operates a comprehensive stress testing programme that supports our risk management and capital planning. It includes execution of stress tests mandated by our regulators. Our stress testing is supported by dedicated teams and infrastructure.
Our testing programme assesses our capital strength and enhances our resilience to external shocks. It also helps us understand and mitigate risks, and informs our decision about capital levels. As well as taking part in regulatory driven stress tests, we conduct our own internal stress tests.
The Group stress testing programme is overseen by the GRC, and results are reported, where appropriate, to the RMM and GRC.
Further information on stress testing and details of the Group's regulatory stress test results are set out on page 109 of the Annual Report and Accounts 2017.

Global Risk function

We have a dedicated Global Risk function, headed by the Group Chief Risk Officer, which is responsible for the Group's risk management framework. This includes establishing global policy, monitoring risk profiles, and forward-looking risk identification and management. Global Risk is made up of sub-functions covering all risks to our operations. It is independent from the global businesses, including sales and trading functions, helping to ensure balance in risk/return decisions. The Global Risk function operates in line with the three lines of defence model (see page 107 of the Annual Report and Accounts 2017).

Risk management and internal control systems

The Directors are responsible for maintaining and reviewing the effectiveness of risk management and internal control systems, and for determining the aggregate level and risk types they are willing to accept in achieving the Group's business objectives. On behalf of the Board, the GAC has responsibility for oversight of risk management and internal controls over financial reporting, and the GRC has responsibility for oversight of risk management and internal controls other than for financial reporting.

The Directors, through the GRC and the GAC, conduct an annual review of the effectiveness of our system of risk management and internal control. The GRC and the GAC received confirmation that executive management has taken or is taking the necessary actions to remedy any failings or weaknesses identified through the operation of our framework of controls.

HSBC's key risk management and internal control procedures are described on page 178 of the Annual Report and Accounts 2017, where the Directors' Report on the effectiveness of internal controls can also be found.

Risk measurement and reporting systems

Our risk measurement and reporting systems are designed to help ensure that risks are comprehensively captured with all the attributes necessary to support well-founded decisions, that those attributes are accurately assessed, and that information is delivered in a timely manner for those risks to be successfully managed and mitigated.

Risk measurement and reporting systems are also subject to a governance framework designed to ensure that their build and implementation are fit-for- purpose and functioning appropriately. Risk information systems development is a key responsibility of the Global Risk function, while the development and operation of risk rating and management systems and processes are ultimately subject to the oversight of the Board.

We continue to invest significant resources in IT systems and processes in order to maintain and improve our risk management capabilities. A number of key initiatives and projects to enhance consistent data aggregation, reporting and management, and work towards meeting our Basel Committee data obligations are in progress. Group policy promotes the deployment of preferred technology where practicable. Group standards govern the procurement and operation of systems used in our subsidiaries to process risk information within business lines and risk functions.

Risk measurement and reporting structures deployed at Group level are applied throughout global businesses and major operating subsidiaries through a common operating model for integrated risk management and control. This model sets out the respective responsibilities of Group, global business, region and country level risk functions in respect of such matters as risk governance and oversight, compliance risks, approval authorities and lending guidelines, global and local scorecards, management information and reporting, and relations with third parties, including regulators, rating agencies and auditors.

Risk analytics and model governance

The Global Risk function manages a number of analytics disciplines supporting model development and management, including rating, scoring, economic capital and stress testing models for different risk types and business segments. It formulates technical responses to industry developments and regulatory policy in the field of risk analytics, develops HSBC's global risk models, and oversees local model development and use around the Group toward our implementation targets for IRB approaches.

Model governance is under the general oversight of the Global Model Oversight Committee ('MOC'). The Global MOC is supported by specific global functional MOCs for wholesale credit risk, market risk, Retail Banking and Wealth Management ('RBWM'), Global Private Banking ('GPB'), Finance, regulatory compliance, operational risk, fraud risk and financial intelligence, pensions risk and financial crime risk, and has functional and/or regional and entity-level counterparts with comparable terms of reference where required.

The Global MOC meets regularly and reports to RMM. It is chaired by the Global Risk function, and its membership is drawn from Risk, Finance and global businesses. Its primary responsibilities are to oversee the framework for the management of model risk, bring a strategic approach to model-related issues across the Group, and to oversee the governance of our risk rating models, their consistency and approval, within the regulatory framework. Through its oversight of the functional MOCs, it identifies emerging risks for all aspects of the risk rating system, ensuring that model risk is managed within our risk appetite statement, and formally advises RMM on any material model-related issues.

Models are also subject to an independent model review and validation process led by the Independent Model Review team within Global Risk. The Independent Model Review team provides robust challenge to the modelling approaches used across the Group, and ensures that the performance of those models is transparent and that their limitations are visible to key stakeholders.

The development and use of data and models to meet local requirements are the responsibility of global businesses or functions, as well as regional and/or local entities under the governance of their own management, subject to overall Group policy and oversight.

Linkage to the Annual Report and Accounts 2017

Structure of the regulatory group

Subsidiaries engaged in insurance activities are excluded from the regulatory consolidation by excluding assets, liabilities and post-acquisition reserves. The Group’s investments in these insurance subsidiaries are recorded at cost and deducted from CET1 capital (subject to thresholds).

The regulatory consolidation also excludes special purpose entities (‘SPEs’) where significant risk has been transferred to third parties. Exposures to these SPEs are risk-weighted as securitisation positions for regulatory purposes.

Participating interests in banking associates are proportionally consolidated for regulatory purposes by including our share of assets, liabilities, profit and loss, and risk-weighted assets in accordance with the PRA’s application of EU legislation. Non-participating significant investments, along with non-financial associates, are deducted from capital (subject to thresholds).

Table 2: Reconciliation of balance sheets – financial accounting to regulatory scope of consolidation

	Ref †	Accounting balance sheet $m	Deconsolidation of insurance/ other entities $m	Consolidation of banking associates $m	Regulatory balance sheet $m
Assets					
Cash and balances at central banks		180,624	(38)	1,174	181,760
Items in the course of collection from other banks		6,628	—	2	6,630
Hong Kong Government certificates of indebtedness		34,186	—	—	34,186
Trading assets		287,995	(359)	1	287,637
Financial assets designated at fair value		29,464	(28,674)	—	790
Derivatives		219,818	(128)	57	219,747
Loans and advances to banks		90,393	(2,024)	1,421	89,790
Loans and advances to customers		962,964	(3,633)	12,835	972,166
– of which: impairment allowances on IRB portfolios	h	(5,004)	—	—	(5,004)
Reverse repurchase agreements – non-trading		201,553	—	1,854	203,407
Financial investments		389,076	(61,480)	3,325	330,921
Capital invested in insurance and other entities		—	2,430	—	2,430
Prepayments, accrued income and other assets		67,191	(4,202)	267	63,256
– of which: retirement benefit assets	i	8,752	—	—	8,752
Current tax assets		1,006	(5)	—	1,001
Interests in associates and joint ventures		22,744	(370)	(4,064)	18,310
– of which: positive goodwill on acquisition	e	521	(14)	(1)	506

Goodwill and intangible assets	e	23,453	(6,937	)—	16,516
Deferred tax assets	f	4,676	170	—	4,846
Total assets at 31 Dec 2017		2,521,771	(105,250	)16,872	2,433,393

Pillar 3 Disclosures at 31 December 2017

	Ref †	Accounting balance sheet $m	Deconsolidation of insurance/ other entities $m	Consolidation of banking associates $m	Regulatory balance sheet $m
Liabilities and equity					
Liabilities					
Hong Kong currency notes in circulation		34,186	—	—	34,186
Deposits by banks		69,922	(86)	695	70,531
Customer accounts		1,364,462	(64)	14,961	1,379,359
Repurchase agreements – non-trading		130,002	—	—	130,002
Items in course of transmission to other banks		6,850	—	—	6,850
Trading liabilities		184,361	867	—	185,228
Financial liabilities designated at fair value		94,429	(5,622)	—	88,807
– of which:					
included in tier 1	m	459	—	—	459
included in tier 2	n, q	23,831	—	—	23,831
Derivatives		216,821	69	51	216,941
Debt securities in issue		64,546	(2,974)	320	61,892
Accruals, deferred income and other liabilities		45,907	(211)	622	46,318
Current tax liabilities		928	(81)	—	847
Liabilities under insurance contracts		85,667	(85,667)	—	—
Provisions		4,011	(17)	223	4,217
– of which: credit-related contingent liabilities and contractual commitments on IRB portfolios	h	220	—	—	220
Deferred tax liabilities		1,982	(1,085)	—	897
Subordinated liabilities		19,826	1	—	19,827
– of which:					
included in tier 1	k, m	1,838	—	—	1,838
included in tier 2	n, o, q	17,561	—	—	17,561
Total liabilities at 31 Dec 2017		2,323,900	(94,870)	16,872	2,245,902
Equity					