

~~STRICTLY PRIVATE AND CONFIDENTIAL~~

Dated 4 June 2010

**MS AMY YIP'S RESPONSE TO LEGCO SUBCOMMITTEE LETTER  
DATED 19 MAY 2010**

To the Subcommittee to Study Issues Arising from  
Lehman Brothers-related Minibonds  
and Structured Financial Products of the Legislative Council

Unless otherwise stated, capitalised terms in this response have the meanings ascribed in the Written Submissions of Ms Amy Yip, Chief Executive Officer of DBS Bank (Hong Kong) Ltd. dated 26 March 2010 (the "Submissions").

- 1 Please provide the following information on the investment products distributed by DBS Bank (Hong Kong) Limited (DBSHK) during the period February 2006 and September 2007:**
  - (a) as at 15 September 2008 (the collapse of Lehman Brothers (LB)), the total value (HK\$) of the outstanding LB-related Constellation Notes (CLN Notes) distributed by DBSHK;**
    - 1.1** HK\$1,286 million.
    - (b) the total number of the investment products distributed (and the number, if any, of investment products launched per week);**
      - 1.2** 1,098 (please note that this number includes different series and tranches of the same type of product).
      - 1.3** The number of investment products launched per week during the relevant period varied. DBSHK's computer systems are not programmed to count the number of product launches per week.
    - (c) the total sales value (HK\$) of the investment products distributed;**
      - 1.4** HK\$217 billion.
      - (d) the total number of series and sales value (HK\$) of CLN Notes (comprising both LB and non-LB CLN Notes) distributed;**
        - 1.5** DBSHK distributed 44 series of CLN Notes during the relevant period, and the total sales value of such CLN Notes distributed was HK\$2,022 million.
        - (e) out of the total sales value of the investment products distributed, the percentage accounted for by CLN Notes; and**
          - 1.6** 0.9 per cent.
          - (f) out of the total sales value of CLN Notes distributed, the percentage accounted for by LB CLN Notes.**
            - 1.7** 64 per cent.
  - 2 Regarding the complaint cases handled by Hong Kong Monetary Authority (HKMA) concerning DBSHK's sale of Lehman Brothers-related investment products during the relevant period (i.e. February 2006 and September 2007), please clarify the following:**
    - (a) whether DBSHK is aware of the number of such complaint cases which have been referred by HKMA to the Securities and Futures Commission (SFC); if yes, please provide the number of cases and the number of existing staff and/or former staff involved;**
      - 2.1** DBSHK is not aware of the total number of complaint cases concerning DBSHK's sale of LB-related investment products during the relevant period which have been referred by the HKMA to the SFC.

**(b) whether DBSHK has received a copy of the proposed disciplinary notice or decision notice issued to the relevant individual(s) (RI) concerned or whether DBSHK has been notified of the issuance of such notices to the RI(s); and**

**2.2** DBSHK is only aware of the sanctions imposed on Leung Wai Yu and Ko Wing Ling, which were publicly announced. DBSHK has not received any proposed disciplinary notice or decision notice issued in respect of any relevant individuals. Shortly before Leung Wai Yu and Ko Wing Ling were sanctioned, DBSHK was informed by the HKMA by telephone of the fact that sanctions would be imposed on these individuals. Shortly after the public announcement about the sanction imposed on Ko Wing Ling was made, DBSHK received a letter from the HKMA stating that it had suspended Mr Ko Wing Ling from the HKMA register maintained under s.20(1)(ea) of the Banking Ordinance until 13 October 2010 inclusive.

**2.3** DBSHK is not aware of any other disciplinary notice or decision notice in respect of other relevant individuals.

**(c) if the answer to (b) is in the affirmative, the number of existing and/or former staff and the number of cases involved.**

**2.4** Not applicable.

**3** Please provide the information in the enclosed Table 1 and Table 2.

**Table 1: Statistics on the customers purchasing CLN Notes distributed by the Bank<sup>1</sup>**

Top five occupations/employment (if any) stated by the customers <sup>2</sup>	Number of customers	Percentage share in the total number of customers purchasing the products	Investment amount (HK\$)	Percentage share in the total investment amount of all customers purchasing the products
1. Housewife	452	13%	166,110,000	13%
2. Junior Management	274	8%	85,203,000	7%
3. Senior Executive	243	7%	118,983,000	9%
4. White Collar	160	5%	52,776,000	4%
5. Retired	138	4%	73,719,000	6%
Customers aged 65 or above	303	9%	189,303,000	15%
Customers who had transacted less than five times in investment products sold by the Bank within the three year period before their purchase of LB-related structured financial products (given the focus of this question, please note that all statistics provided in these tables relate to LB-related products)	2,217	65%	701,721,000	55%

**Table 2: Statistics on the complaints in respect of the sale of CLN Notes by the Bank<sup>3</sup>**

	Total number of complaints	Total number of customers involved	Total investment amount involved (HK\$)
Complaints received up to 15 September 2008	4	4	1,359,200
Settled cases out of the complaints received up to 15 September 2008	2	2	270,000
Complaints received after 15 September 2008	2,775	2,775	1,114,596,000
Settled cases out of the complaints received after 15 September 2008	657	657	255,903,000
Branch with the highest number of complaints	223	223	62,109,000
Staff member with the highest number of complaints	53	53	21,213,000

<sup>1</sup> Please note that the information in the table relates to the number of customer accounts.

<sup>2</sup> Please note that information on occupation/employment was mainly collected from customers at the time of account opening.

<sup>3</sup> Please note that the information in the table relates to the number of customer accounts and reflects the status as at 15 April 2010.