

12th November 2010~~Private and Confidential~~

Your Ref: CB1/HS/1/08

BY HAND

Clerk to Subcommittee
Legislative Council Secretariat
3rd Floor, Citibank Tower
3 Garden Road, Central
Hong Kong

Attn: Miss Polly Yeung

Dear Sirs,

**Re: Subcommittee to Study Issues Arising from Lehman Brothers-related
Minibonds and Structured Financial Products (the "Subcommittee")**

I refer to your letter dated 5 November 2010 referring to the order made by the Chairman of the Subcommittee at the Subcommittee's hearing on 5 November 2010 (the "Hearing") that I provide written answers to certain questions as set out in the Appendix to your letter.

I set out below my response to those questions. Unless otherwise stated, I shall adopt the same defined terms as our Bank's Chief Executive Officer and Executive Director, Mr. Derek Wong Hon-hing ("Mr. Wong"), has used in his witness statement dated 15 October 2010 (the "Witness Statement").

1. According to paragraph 34.3 of W44(C), Dah Sing Bank, Limited (DSB) conducted customer risk profiling by way of completing a Risk Assessment Questionnaire (the Questionnaire)(Appendix 36 of W44(C)). Please explain the reasons for the discrepancy between the English and Chinese versions of the Questionnaire with regard to the information on "Target Asset Allocation" provided to a customer for reference after the risk assessment.
 - 1.1 The hypothetical asset allocation pie chart derived from the result for the Risk Assessment Questionnaire might be different depending on the time at which the customer had undertaken the assessment as such data was updated by Watson Wyatt regularly. Due to an administrative oversight, the sample English and Chinese versions of the Risk Assessment Questionnaire enclosed as Appendix 36 of the Witness Statement were in use at different times and the hypothetical asset allocation pie charts were therefore different due to changes made by Watson Wyatt.
 - 1.2 On behalf of the Bank, I apologise for any confusion this had caused to the Subcommittee.

2. It is noted from paragraph 28.1 of W44(C) that DSB introduced an Investment Knowledge Entry Assessment (IKEA) for new joiners as part of the requirement for the registration with the Hong Kong Monetary Authority. Please provide the documented records, if any, of the results/marks of DSB staff assessed by IKEA during the period from April 2003 to September 2008.
- 2.1 Please find enclosed as Appendix 2.1. By way of background, at the time when the IKEA was introduced in or around June 2008, the Bank mandated all sales staff to undertake the test. Thereafter, new sales staff were required to conduct this test after attending the new joiners training.

Should you have any queries to the above, please do not hesitate to contact our Mr. Derek Chan or Mr. Richard Li.

Yours faithfully,



Lam Cheung-wah, John
Executive Director and Head of Retail Banking Division
Dah Sing Bank, Limited

Encl.