

Dated 19 May 2010

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

**RESPONSE TO THE SUBCOMMITTEE'S LETTER DATED 12 MAY 2010 FROM
MR HUNG PI-CHENG, BENJAMIN, EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE
OFFICER,
STANDARD CHARTERED BANK (HONG KONG) LIMITED (SCBHK)**

1. ***Please provide the following information on the investment products distributed by the Consumer Banking of the Standard Chartered Bank (Hong Kong) Limited (SCBHK) during the period August 2006 and 5 June 2008:***

(a) ***as at 15 September 2008 (the collapse of Lehman Brothers (LB)), the total value (HK\$) of the outstanding LB equity-linked notes (ELNs) distributed by SCBHK;***

1.1 As at 15 September 2008, the total value of outstanding LB ELN distributed by SCBHK is HK\$2.18 billion (equivalent to US\$280 million)

(b) ***the total number of the investment products distributed (and the number, if any, of investment products launched per week);***

1.2 The total number of investment product distributed: 61 (comprising of different investment products, including unit trusts, structured notes, bonds etc. For structured notes, the Bank launched approximately 18 structures). The number of investment products launched per week is not readily available.

(c) ***the total sales value (HK\$) of the investment products distributed;***

1.3 The total sales value of the investment products distributed was HK\$476.5 billion

(d) ***the total number of series and sales value (HK\$) of ELNs (comprising both LB and non-LB ELNs) distributed;***

1.4 The Bank distributed 595 tranches (including same series in multiple currencies) of ELNs. The total sales value was HK\$18.32 billion

(e) ***out of the total sales value of the investments products distributed, the percentage accounted for by ELNs; and***

1.5 ELNs accounted for 3.8% of the total sales value of the investment products distributed.

(f) ***out of the total sales value of ELNs distributed, the percentage accounted for by LB ELNs.***

1.6 LB ELNs accounted for 28.6% of the total sales value of ELNs distributed [of which 11.9% was attributed to outstanding LB ELNs].

2. ***Regarding the customers who had purchased LB ELNs from SCBHK during the period August 2006 to 5 June 2008, please advise:***

(a) ***the top five occupations / employment (if any) as stated by the aforesaid customers;***

(b) ***for each of the five categories of the customers stated in (a), the respective percentages of the total sales value (HK\$) of the products purchased by them; and***

2.1 Out of a total of 2,234 customers with outstanding LB ELNs sold by the Bank, the top five occupations/ employment by number of customers and their respective percentages of the sales value purchased by those categories are as follows:

Top 1 Category: Professional / Managerial / Executive (30.44% of total sales value, 18.93% of customers)

Top 2 Category: White collar/ supervisory level (17.41% of total sales value, 21.84% of customers)

Top 3 Category: Housewife (15.16% of total sales value, 18.98% of customers)

Top 4 Category: Retired (11.50% of total sales value, 13.92% of customers)

Top 5 Category: Self-employed (7.82% of total sales value, 6.71% of customers)

(c) of the total sales value of LB ELNs sold by SCBHK, the respective percentages of the total sales amount of the said products purchased by (i) customers aged 65 or above and (ii) customers who had transacted less than five times in investment products sold by SCBHK within the three year period before their purchase of LB ELNs.

2.2 Out of the total sales amount of HK\$2.18 billion outstanding LB ELNs sold by the Bank,

(i) 16.7% of the sales amount was purchased by customers aged 65 or above.

(ii) 42.8% of the sales amount was purchased by 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 ELNs.

3. **Please provide a copy of Lehman Bankhaus AG's EMTN Retail Program Prospectus under the terms and conditions stated in the term sheet for Lehman Brothers 1-Year HKD One Shot Monthly Autocall Notes (p.17 of Annex 1 to Item 1 to W30(C)).**

3.1 Please see item 1 enclosed.