

Dated 12 July 2010

**WRITTEN RESPONSES OF
MR CHU REN-YEE, ALEXANDER, COUNTRY EXECUTIVE, HONG KONG,
THE ROYAL BANK OF SCOTLAND N.V. TO ISSUES ARISING FROM THE
SUBCOMMITTEE'S HEARING ON 9 JULY 2010**

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

GENERAL REMARKS

I refer to the summons issued by the Subcommittee to me on 26 May 2010 under the Legislative Council (Powers and Privileges) Ordinance (Cap 382) (“**Summons**”) and to my written statement dated 17 June 2010 (“**Written Statement**”), given in response to the Summons. This statement supplements my Written Statement.

Unless otherwise defined, capitalised terms used in this submission have the meanings given to them in my Written Statement.

RESPONSE TO REQUESTS FOR ADDITIONAL INFORMATION

- 1 It is noted that on page 8 of item 5a of W37(C), under the heading “**Documentation**”, it is stated that, amongst others, this termsheet must be read in conjunction with the Issuer's Base Prospectus dated 24 July 2007. According to Mr Alexander CHU, the Base Prospectus of Lehman Brothers 2.75-year CNY Booster Himalaya Notes (Item 5b of W37(C)) was available to the customers. Please advise:
 - (a) whether this base prospectus was only available at the head office of ABN/RBS; and if yes, the number of copies available;
 - (b) whether this base prospectus was available at all the branches of the bank; and if yes, the number of copies available at each of the bank branches; and
 - (c) the number of copies which had been distributed to purchasers of this product.
 - 1.1 Multiple copies of the prospectus for this product were available at each of the Bank's branches. The Bank does not have records of the exact number of copies provided by the issuer, promoter or arranger.
 - 1.2 The Bank was required to provide a copy of the prospectus provided in Item 5 of the Written Statement to each customer who purchased a Himalaya note. The Bank sold 19 Himalaya notes. These could only be sold by the Bank to customers with a minimum denomination or consideration of HKD500,000. Before sale, the customer and the relevant RM were required to declare in the relevant suitability questionnaire that the prospectus had been provided to that customer. The customer was also required to declare that they had carefully read the prospectus (among other documents) and fully understood its contents.
- 2 Please provide a sample copy of the Suitability Questionnaire and Risk Confirmation form (comparable to item 32 of W37(C)) of the following products:
 - (a) LB 2-year HKD Range Accrual Callable Equity Linked Note – Series 776;

- (b) **LB 2-year USD Airbag Range Accrual Notes – Series 888;**
- (c) **LB 2-year USD Airbag Range Accrual Notes – Series 889; and**
- (d) **LB 2.75-year CNY Booster Himalaya Notes.**

2.1 Please refer to:

- 2.1.1 **Item 1** in relation to the product described in Question 2(a);
- 2.1.2 **Item 2** in relation to the product described in Question 2(b);
- 2.1.3 **Item 3** in relation to the product described in Question 2(c); and
- 2.1.4 **Item 4** in relation to the product described in Question 2(d).