

Dated 23 July 2010

**SECOND WRITTEN RESPONSE 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 6 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

7 **Please advise:**

- (a) **whether the department within ABN/RBS responsible for internal audit had conducted any audit on the selling process of LB-related structured financial products; and**
- (b) **if the answer to (a) is affirmative, please provide a copy of the relevant audit report(s).**

7.1 The Bank’s Group Audit team performed three reviews during the Relevant Period. The scope of each review covered the Bank’s customer management process, product management procedures and operations. In each case, the overall finding of the level of control over risks and processes was rated “Satisfactory”. This rating was defined as “*Minor internal control or risk management issues(s). Risks and processes are adequately controlled*”. There were no high level risks identified.

7.2 As described in paragraph 52.3.3 of the Written Statement, any findings identified by Group Audit required prompt follow-up actions to be undertaken by management in accordance with the Bank’s internal audit framework.

7.3 Copies of the audit reports issued during the Relevant Period are provided in **Item 1**, with personal data appropriately redacted.