

Response to item 4**Follow-up Issues Arising from the Hearing on 2 June 2009**

4. *As agreed by the Subcommittee during its post-hearing deliberation, HKMA is requested to provide the latest number of cases concerning Lehman Brothers-related investment products which have been referred to the Securities and Futures Commission, and to provide a breakdown of such cases according to the five items of general observation, namely product monitoring, deficiencies in customer risk profiling system, errors or omissions in documentation, sale of products to vulnerable customers and roll-over of deposits, as stated from paragraph 6.8 to paragraph 6.14 of the Report of the Hong Kong Monetary Authority on Issues Concerning the Distribution of Structured Products Connected to Lehman Group Companies as submitted to the Financial Secretary on 31 December 2008.*

4.1 Up to 5 June 2009, the HKMA has referred a total of 474 Lehman Brothers-related cases to the Securities and Futures Commission (SFC) for its further action. A breakdown of the cases is set out in Table 1 below.

Table 1

Category of potential issue observed	Number of cases
Product monitoring	87
Deficiencies in customer risk profiling system	22
Errors or omissions in documentation	127
Product suitability	238*
Total	474

* Among these cases, 191 cases and 47 cases are related to sale of products to vulnerable customers and other customers respectively.

4.2 Among these 474 cases, there are 59 cases in which, according to the allegations provided by the complainants, the products were marketed as a product similar to fixed deposit by the bank staff and all or part of their investment amount was drawn from their maturing fixed deposit.