

**Response from the Financial Services and the Treasury Bureau (FSTB),
the Hong Kong Monetary Authority (HKMA) and the Securities and
Futures Commission (SFC) to the Questions of the Hon KAM Nai-wai**

Scope of the problem and the Government's assessment

- Q1. How many types and schemes of minibonds and notes are related to Lehman Brothers? Please provide the number of investors, sum of principals of the investment involved in the outstanding minibonds and notes after the collapse of Lehman Brothers. How many of these transactions were conducted through retail banks?**

HKMA's and SFC's response:

Information on the structured notes related to Lehman Brothers sold by banks is at Annex 1. For the lists of credit-linked, equity-linked and fund-linked retail structured notes, which are registered under the Companies Ordinance, please see Annex 2.

As far as brokers that had acted as the distribution agents for Lehman Brothers Minibonds / equity or fund linked notes are concerned, the outstanding positions held by their clients as at 22 September 2008 are at Annex 3.

- Q2. How many retail banks are involved in selling Lehman Brothers-related minibonds and notes? Please provide a detailed list of these banks and the product lists in question.**

HKMA's response:

Twenty-one retail banks are involved in selling Lehman Brothers-related investment products. We cannot provide information on individual banks due to the secrecy provision under the Banking Ordinance.

Q3. How many distributing banks are involved in the complaints received by the Government? Please provide a detailed list of the banks involved, the number of complaints, and the sum of investment principals involved.

HKMA's response:

Up to 24 October 2008, 32 banks (including retail banks and private banks) are involved in the complaints received by the HKMA. We cannot provide information on individual banks due to the secrecy provision under the Banking Ordinance. Up to 24 October 2008, a total of 16,301 complaints have been received by the HKMA. We are in the process of confirming the details with complainants. Based on the information so far confirmed with the complainants, the sum of investment principals involved in the complaints received by the HKMA up to 24 October 2008 is around HK\$7,358 million.

Q4. Has the Government assessed the total amount of compensation that retail banks would need to make if some or all of them are found guilty in mis-selling Lehman Brothers minibonds and notes? Has this risk assessment been conducted?

HKMA's response:

The HKMA does not have the statutory power to order banks to pay compensation. In cases where the allegations of mis-selling are substantiated, the amount of compensation, if any, will be a matter to be agreed by both parties.

Q5. Has HKEx published any report suggesting that problems may arise from the sale of Minibonds and notes, which belong to structured financial derivatives products, by retail banks? If so, what is its content?

FSTB's response:

We have consulted the Hong Kong Exchanges and Clearing Ltd (HKEx) and were advised that such a study has not been mandated.

Q6. Will the relevant officials take up the political responsibility if the Lehman Brothers incident involves their failure to discharge regulatory duties?

FSTB's response:

The Government has been coordinating and mediating among the relevant parties and playing a facilitator role to secure the best arrangements for the investors.

The pressing task at the moment is to assist the investors of the Lehman Brothers Minibonds in getting back the current value of their investments and to process the relevant complaints. The Government is making great efforts to follow up this matter.

The Financial Secretary has earlier requested the SFC and HKMA to submit reports on their observations, lessons learnt and issues identified during their investigations of the said complaints and make recommendations on improving the regulatory regime. Upon receipt of the reports, FSTB will conduct a full and comprehensive systemic review and will consider, on the policy level, how best to further improve our regulatory framework and enhance investor protection and education.

Mis-selling

Q7. Are these products similar to time deposits? Are they suitable for senior citizens or retirees who have been holding only time deposits for a long time, patients of serious illness, the less well-educated or illiterates? Should banks be considered mis-selling the structured products if they are sold to the above

customers? What are the restrictions that distributing banks are subject to when selling the products to clients?

HKMA's and SFC's response:

These products are not similar to time deposits. Paragraph 5.2 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (Code of Conduct) provides that:

“Having regard to information about the client, which the licensed or registered person is or should be aware of through the exercise of due diligence, the licensed or registered person should, when making a recommendation or solicitation, ensure the suitability of the recommendation or solicitation for that client is reasonable in all circumstances.”

The Frequently Asked Questions (FAQs) issued by the SFC set out the suitability obligations expected of the licensed or registered person.

Banks and their staff are required to follow the SFC's Code of Conduct as well as the Supervisory Policy Manual and circulars issued by the HKMA.

Q8 As clients are required to have “investment experience”, what investment activities are covered in the so-called “investment experience”? Is it mandatory that the experience includes similar investment experience in structured investment products or derivatives?

SFC's response:

Under the suitability requirements, it is the responsibility of the licensed or registered person to know his client so as to ensure the suitability of the recommendation or solicitation for that client is reasonable in all circumstances. Prior investment

experience may be one of the factors to be taken into account in making this assessment. It is generally considered that the past history of dealing in any financial products would constitute investment experience.

Q9. Some of the notes are subject to a minimum subscription amount of \$500,000 and in the form of private placement. Why were they sold to bank customers through the retail banks, and why were they sold with subscription amount below \$500,000? Is this a breach of the sales regulation and code of conduct?

HKMA's response:

In accordance with the Seventeenth Schedule to the Companies Ordinance, apart from a minimum denomination of not less than HK\$500,000 (together with a statement as specified in Part 3 of the Eighteenth Schedule to the Companies Ordinance), private placement may take place in various other forms. For instance, it may be an offer in respect of which the total consideration payable for the debentures concerned does not exceed HK\$5 million or its equivalent in another currency (together with a statement as specified in Part 3 of the Eighteenth Schedule to the Companies Ordinance), an offer to not more than 50 persons (together with a statement as specified in Part 3 of the Eighteenth Schedule to the Companies Ordinance), or an offer to professional investors. Given the complexity of the relevant factors, each allegation of mis-selling has to be carefully considered on its own merits and it is not appropriate to draw a blanket conclusion.

Q10. Are the products in question available in other jurisdictions such as Singapore, Taiwan, Japan, USA, UK, Australia and Europe. Is there any restriction on sales in these places? What are the target customers, sales channel and format?

HKMA's and SFC's response:

We understand that Minibonds or similar credit-linked notes have been sold widely in Singapore and Taiwan. Structured products including credit or equity-linked notes have also been sold widely in Europe, and asset-backed or mortgage-backed securities have been widely distributed in the United States. However, detailed information regarding the sales of these products in those jurisdictions is not available.

Selling practices

Q11. Should a bank be considered mis-selling the product if it does not provide their clients with the product brochure and prospectus, or providing them only after the customers have signed the subscription form?

HKMA's response:

Each allegation of mis-selling has to be carefully considered on its own merits and it is not appropriate to draw a blanket conclusion.

Q12. Should a bank be considered mis-selling the product if it advises the clients in the course of sales that the worst scenario would be the repayment of principal without interest, or in the case of ELNs repayment in the form of shares of large companies?

HKMA's response:

Each allegation of mis-selling has to be carefully considered on its own merits and it is not appropriate to draw a blanket conclusion.

Q13. Should a bank be considered mis-selling the product if it advises the clients in the course of sales that the bonds or notes are linked to a number of banks or large companies, and even if one of them have problems, the clients can still get back the assets linked to the remaining banks or companies?

HKMA's response:

Each allegation of mis-selling has to be carefully considered on its own merits and it is not appropriate to draw a blanket conclusion.

Q14. Should a bank be considered mis-selling the product if it advises the clients in the course of sales that these products are similar to time deposit, safe, risk free, and persuades the customers to terminate their time deposit by waiving the interest penalty so that they could use the money to buy these products?

HKMA's response:

Each allegation of mis-selling has to be carefully considered on its own merits and it is not appropriate to draw a blanket conclusion.

Q15. Should a bank be considered mis-selling the product if it does not advise the clients on all the risks of the products, including explaining to them the risks related to the issuer or swap guarantor of the bonds and notes, the meaning of credit event and its effect, collateral information, but rather only disclosing the above in the disclaimer which is printed in small fonts?

HKMA's response:

Each allegation of mis-selling has to be carefully considered on its own merits and it is not appropriate to draw a blanket conclusion.

Q16. What procedure should be followed by banks in selling these products?

HKMA's response:

Banks and their staff are required to follow the SFC's "Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission" as well as the Supervisory Policy Manual and circulars issued by the HKMA.

Q17. Apart from requiring banks to follow the relevant code of conduct, have the HKMA formulated detailed sales procedures and guidelines governing specific sales behaviour of retail banks in the distribution of these structured derivatives? How does the Government ensure banks complying with these code and guideline? Was there any breach and disciplinary action in the past?

HKMA's response:

In addition to the SFC's "Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission", banks and their staff are required to follow the Supervisory Policy Manual and circulars issued by the HKMA.

The HKMA conducts regular and thematic on-site examinations to ensure banks follow the requirements. Between April 2003 when the Securities and Futures Ordinance took effect and this summer before the collapse of Lehman Brothers, the HKMA discovered over 100 cases of alleged breaches of the above requirements (these breaches included, but were not limited to, mis-selling). Among these cases, the HKMA has initiated investigation for 39 cases, issued warning to the institutions concerned in 8 cases, taken sanctions (including prosecution) in 5 cases, and is currently investigating 24 cases.

Risk assessment

Q18. Should a bank be considered mis-selling the product if it has not conducted risk assessment of their clients before asking them to sign the subscription form? Can banks complete the risk assessment form on behalf of their clients and ask them to confirm by signing it afterward?

HKMA's response:

Each allegation of mis-selling has to be carefully considered on its own merits and it is not appropriate to draw a blanket conclusion.

Q19. Should banks sell high-risk products to clients who are assessed as "steady type"? Is it acceptable to have a clause along the line of "even though a client is assessed as lower than or similar to the risk of the product, he/she still agrees to purchase the products described in the risk assessment (i.e. the high-risk products)" in the risk assessment form? Is it a mis-selling practice?

HKMA's response:

Each allegation of mis-selling has to be carefully considered on its own merits and it is not appropriate to draw a blanket conclusion.

Q20. What are the bank's risk ratings for the minibonds and notes? Please provide a detailed list of the products and the banks' risk assessment ratings during different periods.

HKMA's response:

Please refer to Annex 1 for a detailed list of the Lehman-related investment products. We cannot provide information on individual banks due to the secrecy provision under the Banking Ordinance.

Promotional materials

Q21 When the SFC accepted the use of wording such as “minibonds” and “fixed income guaranteed notes” in the marketing leaflets for publicity purpose in the retail market, did it take into account the public’s general understanding of the meaning of (words like) "bonds", "guaranteed", and whether they were in proportion to the “credit landmine” (sure death in case of failure) nature of these products?

SFC’s response:

Marketing materials authorised by the SFC under the Companies Ordinance (CO) are required to comply with the *Guidelines on use of offer awareness and summary disclosure materials in offerings of shares and debentures under the Companies Ordinances* issued by the SFC on 21 March 2003. Under the Guidelines, the content of marketing materials must not be false, biased, misleading or deceptive.

In general, a marketing leaflet for structured notes contains the following warning statements:

- (i) (if applicable) the notes are not principal protected;
- (ii) investment involves risks (or statements as to the risks specific to a product);
- (iii) prospective investors must read the prospectuses before deciding to invest in the notes;
- (iv) the marketing leaflet does not constitute an offer and the offer of the notes is made solely on the basis of the prospectuses;
- (v) SFC’s authorisation of the marketing leaflet does not imply SFC’s endorsement or recommendation of the notes.

In the case of Minibonds, on the front cover of the Minibonds prospectuses, the full name of each series/tranche is clearly stated as, e.g. “USD Fixed Rate Callable Credit-linked Notes due 20XX”.

On each marketing leaflet authorised by the SFC, the credit-linked nature of the Minibonds is also prominently disclosed.

The term “debenture” has a legal definition in the CO; it includes bonds and notes. In every application for authorisation for registration of a prospectus offering structured notes to the public, there is a legal opinion or confirmation supporting that the structured note is a debenture. Regardless of the name or the technical definition of the product, the issue is about suitability for individual investors, which is a matter for the distributors at the point of sale. Distributors have a duty under the SFC’s Code of Conduct to make a recommendation which must ensure the suitability of the recommendation for the client is reasonable in all circumstances.

However, we have noted the public’s concern towards product names, and notwithstanding the legal and technical position, we shall take this into account in future applications.

On principal protection, all series of outstanding Minibonds (except series 6) are not principal protected, and the non-principal protection warning has been clearly stated in the marketing leaflets.

In the case of ProFund Notes series 2 issued by another Lehman Brothers’ special purpose vehicle, Atlantic International Finance Limited, it is prominently stated that the notes are 100% principal protected at maturity. The leaflet contains information on early redemption and a warning that the early redemption amount may be lower than the original investment.

Q22

Has the SFC ever received any complaint or suggestion that the use of wording such as “minibonds” and “fixed income guaranteed notes” in the marketing leaflets could easily result in misunderstanding, people being misled, or other problems. If yes, when were these complaints or suggestions received and how many were there?

SFC's response:

Before the collapse of Lehman Brothers in mid-September, the SFC had not received any complaint that the name of "Minibond" or "fixed interest capital protected note" might mislead investors. After the collapse of Lehman Brothers and the outbreak of the Minibond saga, the SFC has received a total of 38 complaints about the name as of 24 October (see note). The vast majority of complaints received by the SFC relate to the sales process and alleged mis-selling.

[note: only one of the complaints explicitly alleged the using of the name on "advertisements", others complained the name in general.

Q23 **When the SFC was vetting the offering documents and marketing leaflets of these products, why did it fail to require that all risks, including risk arising from linked companies, or risk of credit event relating to issuers or swap guarantor, to be prominently disclosed to the public in the documents?**

SFC's response:

Taking Minibonds as an example, risk disclosures were made throughout the programme prospectus and the issue prospectus in the same font size as other contents.

Marketing materials authorised by the SFC under the Companies Ordinance are required to comply with the *Guidelines on use of offer awareness and summary disclosure materials in offerings of shares and debentures under the Companies Ordinances* issued by the SFC on 21 March 2003.

The non-principal protection statement is displayed at the centre of every relevant Minibonds marketing leaflet. The key issue is about suitability of the product for individual investors, which is a matter for the distributors at the point of sale. Distributors have a duty under the SFC's Code of Conduct to make a recommendation

which must ensure the suitability of the recommendation for the client is reasonable in all circumstances.

Warnings before the minibond incident

Q24. When did FS, FSTB, HKMA and SFC give warnings about CDOs or the possible consequences to the market brought about by the financial difficulties of Lehman Brothers or the signs of its collapse? What announcements were made? What guidance or guidelines were issued to banks? What measures were taken after the issuance of such guidance or guidelines to ensure compliance? Which banks complied with such guidance or guidelines? Which banks failed to comply with such guidance or guidelines?

HKMA's and SFC's response:

In addition to issuing a Supervisory Policy Manual on securities business in March 2003, the HKMA further issued circulars to banks in March 2005, March 2006, and March, May and June 2007 setting out the HKMA's supervisory expectations on securities business carried by banks. Around the end of 2007 and the beginning of 2008, the HKMA approached individual banks requesting them to upgrade CDO-related products as "high risk", which should only be sold to investors with a corresponding risk appetite. During this period, the HKMA continued to conduct regular and thematic on-site examinations to ensure the compliance of these requirements.

Since the outbreak of the subprime mortgage crisis in November 2007, for all collateralised unlisted retail structured products the SFC has made more requisitions about whether the collaterals include asset-backed or mortgage-backed securities related to subprime mortgages.

In the case of Minibonds, the last series was launched in April 2008, at which time Lehman Brothers still had investment grade ratings.

Lehman Brothers was first downgraded from “A+” to “A” (long term counterparty credit rating) by Standard & Poor’s only in June 2008. It was put on negative credit watch in September 2008, and substantive downgrades were only made at the brink of its Chapter 11 filing on 15 September 2008.

Since the Chapter 11 bankruptcy filing by Lehman Brothers, SFC has been closely monitoring the situation regarding unlisted retail structured notes issued by related Lehman Brothers entities and other issuers which has Lehman Brothers as a reference entity. On 17 September 2008, SFC contacted Lehman Brothers’ executives with a view to working out the technical procedures and other aspects concerning the way forward. SFC requested Lehman Brothers’ executives and their legal advisers to immediately prepare a step-by-step guidance, which was released to distributors on 17 September 2008. SFC also requested

- (a) Lehman Brothers and other issuers (DBS, Morgan Stanley and UBS) who issued credit-linked notes with Lehman Brothers as a reference entity to prepare FAQs for investors; and
- (b) all distributors to take a more proactive role in addressing investors’ inquiries and in passing information to investors.

Q25. Has the Government/HKMA ever required the banks to stop selling Lehman Brothers-related financial products after news of Lehman Brothers in financial difficulties came out? If yes, when? And why did banks continue to sell such products several days, a month or several months prior to Sept 15, the day on which Lehman Brothers filed for bankruptcy protection?

HKMA’s response:

Under the current statutory framework, the HKMA has no power to prohibit banks from the issue of complex products to retail investors. Around the end of 2007 and the beginning of 2008, the HKMA approached individual banks requesting them to upgrade

CDO-related products as “high risk”, which should only be sold to investors with a corresponding risk appetite.

Q26. Some bank customers complained that they have asked for an early redemption or cancellation in August or before Sept 15, but banks have failed to handle the requests promptly. Does this constitute mis-selling?

HKMA’s response:

Each allegation of mis-selling has to be carefully considered on its own merits and it is not appropriate to draw a blanket conclusion.

Q27. Prior to the incident, when and in what way did the banks notify their affected customers to ensure that each one of these customers were informed of the latest situation, including the details of the assets and the latest valuation, early redemption or recovery procedures?

HKMA’s response:

It would be more appropriate to address this question to individual banks direct.

Q28. What information should be provided to customers by the issuer or the distributing banks? When the Lehman Brothers was in financial difficulties or when there were signs of its collapse, why did the banks not providing information provided by the trustee banks to each customer, including the latest status and valuation of the collateral? Does this constitute violation of the code of conduct?

HKMA’s response:

According to General Principle 5 of the SFC's Code of Conduct, a licensed or registered person should make adequate disclosure of relevant material information in its dealings with its clients.

Q29. Are there any forewarning mechanisms in other jurisdictions, such as Singapore, Taiwan, Japan, US, UK, Australia and Europe? What are the details of such mechanisms?

HKMA's and SFC's response:

We understand that regulators of some overseas jurisdictions have put in place standard stress testing exercises, as well as systemic impact assessment with a view to measuring the cost of a financial crisis. We are not aware of any specific warning mechanisms in other jurisdictions.

Follow-up actions after the minibond incident

A30 to A32. [Answer to be provided by HKAB]

Investigation and follow-up mechanism

Q33. What measures have been put forward by the HKMA in response to the public's request to investigate complaints about mis-selling? When were these measures put forward? When did the HKMA receive the first complaint? How many complaints has the HKMA received so far? How many complaints involved elderly at the age of 65 or above? As regards the remaining cases, how many of them involved failure to provide complete sales documentation, including the prospectus? How many of them involved mismatch of risk (i.e. the customer's risk tolerance level is lower than the risk associated with the product)? How many of them involved failure to give a clear explanation about the product, for example, the role of the issuer or swap insurer, and the risk

involved?

HKMA's response:

With the deployment of increasing resources, an expedited process has been put in place for collecting and processing information from complainants and reviewing their allegations since the receipt of the first complaints in respect of Lehman Brothers related products in mid-September 2008. On 22 September 2008, the HKMA set up a hotline to assist individual investors who have complaints in relation to the sale by banks of investment products related to Lehman Brothers. Up to 24 October 2008, the HKMA had received 16,301 such complaints. HKMA is now processing these complaints and following up with the complainants to confirm the details. While some of the complainants are reluctant to provide details, based on the information confirmed, it is estimated that around 15% of the complainants are aged 65 or above. The fact that an investor is aged 65 or above, however, does not mean that mis-selling is involved. Since complainants often made more than one allegations, such as those in relation to disclosure of product risks and features, suitability of product (e.g. in terms of risk matching and customer financial capability) etc., we are not able to categorize the allegations involved in the complaints. HKMA will review the allegations of complainants during its investigation.

Q34. In relation to the 70-odd cases with prima facie evidence that non-compliance or mis-selling is involved, does the HKMA have any timetable for investigation and subsequent disciplinary actions?

HKMA's response:

The HKMA will try its best to handle the complaints as quickly as possible, subject to the need to observe the due process.

Q35. When did the SFC publish the detailed list and information on the minibonds, notes or relevant financial products related to LB?

SFC's response:

The SFC has been posting on its websites information in respect of public offers of unlisted shares or debentures (bonds, notes, etc., and includes all Lehman Brothers-related notes) made on or after 1 July 2004, as a result of law amendment, where the offering document has been authorised by the SFC for registration as a prospectus under the Companies Ordinance. All registered prospectuses are filed with the Registrar of Companies as a matter of public record.

On 23 September 2008, the SFC published on its website lists of unlisted retail structured notes issued by or related to Lehman Brothers and issued a press release to inform the public about the publication. The lists include retail structured notes arranged by Lehman Brothers' entities (issued by Pacific International Finance Limited, Pyxis Finance Limited and Atlantic International Finance Ltd) as well as credit linked notes with Lehman Brothers as one of the reference entities issued by Constellation Investment Limited (ultimate counterparty: DBS Bank), SPARC Limited (ultimate counterparty: UBS), and Victoria Peak International Finance Limited (ultimate counterparty: Morgan Stanley). The lists offer data on the issuers, the issues, the dates of the prospectuses, the issue dates and the maturity dates pertaining to notes offered to individual investors. Structured products sold through private placement, or those for which documents have not been authorised by the SFC are not included.

On 14 October 2008, the SFC posted on InvestEd, an interactive investor portal operated by the SFC, a full list of retail structured products for which offer documents and marketing materials have been authorised for issue by the SFC. The list contains a brief description of the product type, the underlying assets and the total issue size or outstanding amount. In the case of products issued by

special purpose vehicles, the list also sets out details of their ultimate counterparty. Unlisted retail structured products include equity linked deposits, equity-linked notes, equity-linked investments, credit-linked notes, fund-linked notes, commodity-linked notes and index-linked notes. Structured products sold through private placement, or those for which documents have not been authorised by the SFC are not included in the list. The list can be viewed at: http://www.invested.hk/invested/en/html/section/products/structure/unlist_cls.html.

Q36. When and how did banks notify their affected customers after the incident occurred so as to ensure that every such customer was informed as soon as possible of the latest situation, including the valuation of the assets, details of the assets or recovery procedures?

HKMA's response:

It would be more appropriate to address this question to individual banks direct.

Q37. Have all banks been notified of the details of the assets of the various series of products and the valuation prior to the incident by the trustee banks? Is it possible to publicly disclose such information? Which trustee banks are still not yet been able to provide such information?

HKMA's response:

It would be more appropriate to address this question to individual banks direct.

Q38. How will banks compensate their affected customers for the employment of improper selling practices? As to the

knowledge of the Government, what is banks' mechanism for compensation in relation to non-compliance or mis-selling? Please provide details of each bank's mechanism.

HKMA's response:

It would be more appropriate to address this question to individual banks direct.

Q39. How was the Lehman Brothers incident handled in other jurisdictions, e.g. Singapore, Taiwan, Japan, the United States, the United Kingdom, Australia and some other countries in Europe? Is the Hong Kong Government slow in response?

SFC's response:

As far as we know, credit-linked notes linked to Lehman Brothers sold under the name "Minibonds" are found in Hong Kong and Singapore. These bond-like products were also found in Indonesia but not under the name of Minibonds.

- Singapore's central bank said the proposal to replace Lehman as a counterparty should be fully explored before other alternatives, such as a potential buy-back by distributors, is considered.
- Taiwan's Financial Supervisory Commission reported that domestic financial institutions, including banks, securities firms, fund managers and insurance firms, hold Lehman Brothers products totalling NT\$40 billion in value, while their wealth management clients also possess some NT\$40 billion worth of structured notes connected with debt claims for Lehman Brothers.

Similar bond-like products were sold in Spain and Germany.

- In Spain, protestors claim that almost 3,500 Spanish investors have lost a combined 3 billion euros after investing in products linked to Lehman Brothers under advice from Spanish private banks. The banks, say the demonstrators, at no point warned that the US group risked collapse.
- In Germany, the product with the name Zertifikate, or Certificate in English, took with it about 500 million euros that belonged to 60,000 small investors, according to the Berlin-based German Institute for Investor Protection

FSTB's response:

In the Lehman Brothers incident, the HKSARG has been coordinating and mediating among the relevant parties in the incident and playing a facilitator role to secure the best arrangements for the investors. We put up a proposal whereby the distributing banks and brokers of the Minibonds would offer to buy back the Minibonds at their current investment value from the investors. This would obviate the need for investors to go through a long and tedious liquidation process. The proposal has been accepted by the Task Force of the Hong Kong Association of Banks and all the relevant distributing banks. The Task Force has already started the relevant work, including the appointment of legal and independent financial advisors, with a view to working out the specific steps of the buy-back proposal.

In addition, HKMA and SFC are handling the complaints expeditiously. HKMA has referred in two batches on 17 October and 24 October respectively a total of 64 cases involving 3 banks to the SFC for follow-up. On 24 September 2008, SFC announced that its investigation would look at the conduct of SFC licensed distributors of Lehman Brothers-related retail structured products and has subsequently commenced further investigations following receipt of the referrals from HKMA.

Q40. Many people lodged complaints with the HKMA about mis-selling by banks after the incident. However, the HKMA asked them to lodge their complaints with the banks first and the HKMA will only start investigation after the banks have completed their investigation reports. Mr, Y.K. Choi, DCE of the HKMA said that the HKMA handled complaints in such way because it has limited power to investigate. Please explain how limited the HKMA's power to investigate is. Does the HKMA has the right to receive complaints about individual banks from the public or bank customers directly without requiring the customers to complain to the banks first? Will the HKMA amend the relevant procedures for handling complaints?

HKMA's response:

The remarks of Mr Y.K. Choi, Deputy Chief Executive of the HKMA, on an earlier occasion about the HKMA's limited power to handle complaints from clients refers generally to the fact that the HKMA has no statutory responsibility for consumer protection under the Banking Ordinance, which means that it has no power to arbitrate disputes between banks and their customers or to order banks to pay compensation to their customers. The HKMA therefore believes that it is more efficient and effective to allow banks to handle complaints relating to banking service quality or fees and charges (e.g. complaints related to current accounts or credit card service quality) in the first instance. Where any customer is not satisfied with the bank's response or handling approach, he/she may seek assistance from the HKMA. The HKMA will assess whether the bank's handling of the complaint is adequate and its procedures are working properly.

However, if a customer's complaint is not related to quality service or fees and charges, and involves regulatory breach or misconduct in banking business (including complaints alleging mis-selling of Lehman Brothers minibonds), the HKMA would take prompt follow-up action upon receipt of the complaint without asking the customer to lodge a complaint to the bank first and deferring

follow-up until after the bank's own investigation.

**Financial Services and the Treasury Bureau
Hong Kong Monetary Authority
Securities and Futures Commission
October 2008**

Lehman-related structured notes sold by banks

	Structured notes issued by Lehman-related corporations			Lehman-related structured notes issued by other issuers			Private Placement	Total
	(minibond) Pacific International Finance Limited ¹	Atlantic International Finance Limited ²	Pyxis Finance Limited ³	Constellation Investment Limited ⁴	SPARC Limited ⁵	Victoria Peak International Finance Limited ⁶	Lehman-related structured notes sold through private placement mainly include equity-linked notes, commodity-linked notes, interest rate-linked notes and fund-linked notes	
Nature of Notes	Credit-linked notes with Lehman Brothers as swap guarantor	Fund-linked notes with Lehman Brothers as swap guarantor	Equity-linked notes with Lehman Brothers as swap guarantor	Credit-linked notes with Lehman Brothers as one of the reference entities	Credit-linked notes with Lehman Brothers as one of the reference entities	Credit-linked notes with Lehman Brothers as one of the reference entities		
No of investment accounts	33,611	458	426	6,901	143	1,205	6,130	43,707 ⁽¹⁾
Total amount of investment (percentage share)	11.205 bn (55.5%)	80 mn (0.4%)	72 mn (0.4%)	2.188 bn (10.8%)	64 mn (0.3%)	374 mn (1.9%)	6.19 bn (30.7%)	20.173 bn

(1) This figure refers to the total number of customers. As individual customers may have more than one investment account, the total number of accounts is different from the total number of customers.

¹ Relevant product series (Minibond series) – 5 to 12, 15 to 23, 25 to 36

² Relevant product series (ProFund Notes series) – 1, 2

³ Relevant product series (Equity Linked Notes series) – 8 to 10, 13, 14, 19 to 21

⁴ Relevant product series (Structured Retail Notes series) – 34 to 37, 43 to 46, 55 to 74, 78 to 81

⁵ Relevant product series (Retail-Aimed Callable Investment Notes Global series)– 1 & 2

⁶ Relevant product series (Octave Notes series) – 10, 11 & 12

Outstanding Retail Structured Notes issued by Pacific International Finance Limited (as at 31 Aug 2008)

(updated on 24 Sept 2008)

Issuer	Issue	Date of Issue Prospectus	Issue Date (dd/mm/yy)	Maturity Date (dd/mm/yy)
Pacific International Finance Limited	Minibond Series 5	16-Jun-03	02-Jul-03	02-Jul-10
	Minibond Series 6	01-Sep-03	24-Sep-03	24-Mar-09
	Minibond Series 7 (Tranche A US\$ + Tranche B HK\$)	15-Nov-03	03-Dec-03	03-Dec-08
	Minibond Series 8	16-Feb-04	03-Mar-04	03-Mar-09
	Minibond Series 9 (Tranche A US\$ + Tranche B HK\$)	05-Mar-04	25-Mar-04	25-Sep-09
	Minibond Series 10 (Tranche A US\$ + Tranche B HK\$)	03-May-04	28-May-04	28-Nov-09
	Minibond Series 11 (Tranche A US\$ + Tranche B HK\$)	07-Jun-04	06-Jul-04	06-Jan-10
	Minibond Series 11 (Tranche C US\$ + Tranche D HK\$)	07-Jun-04	06-Jul-04	06-Jan-10
	Minibond Series 12 (Tranche A US\$ + Tranche B HK\$)	06-Aug-04	08-Sep-04	08-Mar-10
	Minibond Series 15 (Tranche A US\$ + Tranche B HK\$)	25-Nov-04	28-Dec-04	28-Jun-10
	Minibond Series 16 (Tranche A US\$ + Tranche B HK\$)	31-Dec-04	07-Feb-05	07-Aug-10
	Minibond Series 17 (Tranche A US\$ + Tranche B HK\$)	01-Feb-05	09-Mar-05	09-Sep-10
	Minibond Series 18 (Tranche A US\$ + Tranche B HK\$)	07-Mar-05	06-Apr-05	06-Oct-10
	Minibond Series 19 (Tranche A US\$ + Tranche B HK\$)	25-Apr-05	26-May-05	26-Nov-10
	Minibond Series 20 - USD Fixed Rate Callable Credit-Linked Notes due 2011	20-Jun-05	20-Jul-05	20-Jan-11
	Minibond Series 20 - HKD Fixed Rate Callable Credit-Linked Notes due 2011	20-Jun-05	20-Jul-05	20-Jan-11
	Minibond Series 20 - USD Floating Rate Callable Credit-Linked Notes due 2011	20-Jun-05	20-Jul-05	20-Jan-11
	Minibond Series 20 - HKD Floating Rate Callable Credit-Linked Notes due 2011	20-Jun-05	20-Jul-05	20-Jan-11
	Minibond Series 21 - USD Fixed Rate Callable Credit-Linked Notes due 2011 (USD Notes)	17-Aug-05	15-Sep-05	15-Mar-11
	Minibond Series 21 - HKD Fixed Rate Callable Credit-Linked Notes due 2011 (Tranche A)	17-Aug-05	15-Sep-05	15-Mar-11
	Minibond Series 21 - HKD Fixed Rate Callable Credit-Linked Notes due 2011 (Tranche B)	17-Aug-05	15-Sep-05	15-Mar-11
	Minibond Series 22 - USD Fixed Rate Callable Credit-Linked Notes due 2011 (Tranche A USD Notes)	20-Oct-05	25-Nov-05	25-May-11
	Minibond Series 22 - HKD Fixed Rate Callable Credit-Linked Notes due 2011 (Tranche B HKD Notes)	20-Oct-05	25-Nov-05	25-May-11
	Minibond Series 22 (HKD Fixed Rate Callable Credit-Linked Notes due 2011 (Tranche C HKD Notes)	20-Oct-05	25-Nov-05	25-May-11
	Minibond Series 23 - USD Fixed Rate Callable Credit-Linked Notes due 2011	03-Jan-06	03-Feb-06	03-Aug-11
	Minibond Series 23 - HKD Fixed Rate Callable Credit-Linked Notes due 2011	03-Jan-06	03-Feb-06	03-Aug-11
	Minibond Series 23 - USD Inverse Floating Rate Callable Credit-Linked Notes due 2011	03-Jan-06	03-Feb-06	03-Aug-11
	Minibond Series 23 - HKD Inverse Floating Rate Callable Credit-Linked Notes due 2011	03-Jan-06	03-Feb-06	03-Aug-11

Outstanding Retail Structured Notes issued by Pacific International Finance Limited (as at 31 Aug 2008)

(updated on 24 Sept 2008)

Issuer	Issue	Date of Issue Prospectus	Issue Date (dd/mm/yy)	Maturity Date (dd/mm/yy)
	Minibond Series 25 - USD Fixed Rate Callable CLN due 2011	20-Mar-06	26-Apr-06	26-Oct-11
	Minibond Series 25 - HKD Fixed Rate Callable CLN due 2011	20-Mar-06	26-Apr-06	26-Oct-11
	Minibond Series 25 - USD Inverse Floating Rate Callable CLN due 2011	20-Mar-06	26-Apr-06	26-Oct-11
	Minibond Series 25 - HKD Inverse Floating Rate Callable CLN due 2011	20-Mar-06	26-Apr-06	26-Oct-11
	Minibond Series 26 - USD Fixed Rate Callable Credit-Linked Notes due 2011 (Tranche A USD Notes)	17-May-06	30-Jun-06	30-Dec-11
	Minibond Series 26 - HKD Fixed Rate Callable Credit-Linked Notes due 2011 (Tranche B HKD Notes)	17-May-06	30-Jun-06	30-Dec-11
	Minibond Series 26 - HKD Fixed Rate Callable Credit-Linked Notes due 2011 (Tranche C HKD Notes)	17-May-06	30-Jun-06	30-Dec-11
	Minibond Series 27 - USD Fixed Rate Callable Credit-Linked Notes due 2009 (Tranche A Notes)	07-Aug-06	15-Sep-06	15-Sep-09
	Minibond Series 27 - HKD Fixed Rate Callable Credit-Linked Notes due 2009 (Tranche B Notes)	07-Aug-06	15-Sep-06	15-Sep-09
	Minibond Series 27 - USD Fixed Rate Callable Credit-Linked Notes due 2012 (Tranche C Notes)	07-Aug-06	15-Sep-06	15-Mar-12
	Minibond Series 27 - HKD Fixed Rate Callable Credit-Linked Notes due 2012 (Tranche D Notes)	07-Aug-06	15-Sep-06	15-Mar-12
	Minibond Series 28 Callable Credit Linked Notes (Tranche A)	18-Sep-06	27-Oct-06	27-Oct-09
	Minibond Series 28 Callable Credit Linked Notes (Tranche B)	18-Sep-06	27-Oct-06	27-Oct-09
	Minibond Series 28 Callable Credit Linked Notes (Tranche C)	18-Sep-06	27-Oct-06	27-Apr-12
	Minibond Series 28 Callable Credit Linked Notes (Tranche D)	18-Sep-06	27-Oct-06	27-Apr-12
	Minibond Series 29 USD Fixed Rate Callable Credit Linked Notes due 2009 (Tranche A)	13-Nov-06	21-Dec-06	21-Dec-09
	Minibond Series 29 HKD Fixed Rate Callable Credit Linked Notes due 2009 (Tranche B)	13-Nov-06	21-Dec-06	21-Dec-09
	Minibond Series 29 USD Fixed Rate Callable Credit Linked Notes due 2012 (Tranche C)	13-Nov-06	21-Dec-06	21-May-12
	Minibond Series 29 HKD Fixed Rate Callable Credit Linked Notes due 2012 (Tranche D)	13-Nov-06	21-Dec-06	21-May-12
	Minibond Series 30 Callable CLN due 2010 USD (Tranche A)	02-Jan-07	31-Jan-07	01-Feb-10
	Minibond Series 30 Callable CLN due 2010 HKD (Tranche B)	02-Jan-07	31-Jan-07	01-Feb-10
	Minibond Series 30 Callable CLN due 2012 USD (Tranche C)	02-Jan-07	31-Jan-07	31-Jul-12
	Minibond Series 30 Callable CLN due 2012 HKD (Tranche D)	02-Jan-07	31-Jan-07	31-Jul-12
	Minibond Series 31 Callable CLN due 2014 USD (Tranche A)	12-Mar-07	19-Apr-07	19-Apr-10
	Minibond Series 31 Callable CLN due 2014 HKD (Tranche B)	12-Mar-07	19-Apr-07	19-Apr-10
	Minibond Series 31 Callable CLN due 2014 USD (Tranche C)	12-Mar-07	19-Apr-07	19-Oct-12

Outstanding Retail Structured Notes issued by Pacific International Finance Limited (as at 31 Aug 2008)
 (updated on 24 Sept 2008)

Issuer	Issue	Date of Issue Prospectus	Issue Date (dd/mm/yy)	Maturity Date (dd/mm/yy)
	Minibond Series 31 Callable CLN due 2014 HKD (Tranche D)	12-Mar-07	19-Apr-07	19-Oct-12
	Minibond Series 32 USD Callable CLN due 2010 (Tranche A)	04-Jun-07	16-Jul-07	16-Jul-10
	Minibond Series 32 HKD Callable CLN due 2010 (Tranche B)	04-Jun-07	16-Jul-07	16-Jul-10
	Minibond Series 32 USD Callable CLN due 2013 (Tranche C)	04-Jun-07	16-Jul-07	16-Jan-13
	Minibond Series 32 HKD Callable CLN due 2013 (Tranche D)	04-Jun-07	16-Jul-07	16-Jan-13
	Minibond Series 33 USD Callable CLN due 2010 (Tranche A)	23-Jul-07	31-Aug-07	31-Aug-10
	Minibond Series 33 HKD Callable CLN due 2010 (Tranche B)	23-Jul-07	31-Aug-07	31-Aug-10
	Minibond Series 33 USD Callable CLN due 2013 (Tranche C)	23-Jul-07	31-Aug-07	28-Feb-13
	Minibond Series 33 HKD Callable CLN due 2013 (Tranche D)	23-Jul-07	31-Aug-07	28-Feb-13
	Minibond Series 34 USD Fixed Rate Callable CLN due 2011 (Tranche A Notes)	19-Nov-07	07-Jan-08	07-Jan-11
	Minibond Series 34 HKD Fixed Rate Callable CLN due 2011 (Tranche B Notes)	19-Nov-07	07-Jan-08	07-Jan-11
	Minibond Series 35 USD Fixed Rate Callable CLN due 2011 (Tranche A Notes)	16-Jan-08	22-Feb-08	22-Feb-11
	Minibond Series 35 HKD Fixed Rate Callable CLN due 2011 (Tranche B Notes)	16-Jan-08	22-Feb-08	22-Feb-11
	Minibond Series 36 USD Fixed Rate Callable CLN due 2011 (Tranche A Notes)	14-Apr-08	15-May-08	15-May-11
	Minibond Series 36 HKD Fixed Rate Callable CLN due 2011 (Tranche B Notes)	14-Apr-08	15-May-08	15-May-11

CLNs with Lehman as one of the reference entities (as at 31 Aug 2008)

Issuer	Issue	Date of Issue Prospectus	Issue Date (dd/mm/yy)	Maturity Date (dd/mm/yy)
Constellation Investment Limited	Structured Retail Notes Series 34 (s.34-37)	22-Feb-06	28-Mar-06	28-Mar-11
Constellation Investment Limited	Structured Retail Notes Series 35	22-Feb-06	28-Mar-06	28-Mar-11
Constellation Investment Limited	Structured Retail Notes Series 36	22-Feb-06	28-Mar-06	28-Mar-09
Constellation Investment Limited	Structured Retail Notes Series 37	22-Feb-06	28-Mar-06	28-Mar-09
Constellation Investment Limited	Structured Retail Notes Series 43-46 (Series 43)	29-Jun-06	28-Jul-06	28-Dec-11
Constellation Investment Limited	Structured Retail Notes Series 43-46 (Series 44)	29-Jun-06	28-Jul-06	28-Dec-11
Constellation Investment Limited	Structured Retail Notes Series 43-46 (Series 45)	29-Jun-06	28-Jul-06	28-Dec-09
Constellation Investment Limited	Structured Retail Notes Series 43-46 (Series 46)	29-Jun-06	28-Jul-06	28-Dec-09
Constellation Investment Limited	Structured Retail Notes Series 55-58 (Series 55)	23-Oct-06	22-Nov-06	22-May-13
Constellation Investment Limited	Structured Retail Notes Series 55-58 (Series 56)	23-Oct-06	22-Nov-06	22-May-13
Constellation Investment Limited	Structured Retail Notes Series 55-58 (Series 57)	23-Oct-06	22-Nov-06	22-May-11
Constellation Investment Limited	Structured Retail Notes Series 55-58 (Series 58)	23-Oct-06	22-Nov-06	22-May-11
Constellation Investment Limited	Structured Retail Notes Series 59-62 (Series 59) USD Callable CLN due 2013	30-Nov-06	10-Jan-07	10-Jan-13
Constellation Investment Limited	Structured Retail Notes Series 59-62 (Series 60) HKD Callable CLN due 2013	30-Nov-06	10-Jan-07	10-Jan-13
Constellation Investment Limited	Structured Retail Notes Series 59-62 (Series 61) USD Callable CLN due 2011	30-Nov-06	10-Jan-07	10-Jul-11
Constellation Investment Limited	Structured Retail Notes Series 59-62 (Series 62) HKD Callable CLN due 2011	30-Nov-06	10-Jan-07	10-Jul-11
Constellation Investment Limited	Structured Retail Notes Series 63-66 (Series 63) USD Callable CLN due 2014	08-Jan-07	08-Feb-07	08-Feb-14
Constellation Investment Limited	Structured Retail Notes Series 63-66 (Series 64) HKD Callable CLN due 2014	08-Jan-07	08-Feb-07	08-Feb-14
Constellation Investment Limited	Structured Retail Notes Series 63-66 (Series 65) USD Callable CLN due 2011	08-Jan-07	08-Feb-07	08-Feb-11
Constellation Investment Limited	Structured Retail Notes Series 63-66 (Series 66) HKD Callable CLN due 2011	08-Jan-07	08-Feb-07	08-Feb-11
Constellation Investment Limited	Structured Retail Notes Series 67-70 (Series 67) USD Callable CLN due 2014	08-Feb-07	22-Mar-07	22-Mar-14
Constellation Investment Limited	Structured Retail Notes Series 67-70 (Series 68) HKD Callable CLN due 2014	08-Feb-07	22-Mar-07	22-Mar-14
Constellation Investment Limited	Structured Retail Notes Series 67-70 (Series 69) USD Callable CLN due 2012	08-Feb-07	22-Mar-07	22-Mar-12

CLNs with Lehman as one of the reference entities (as at 31 Aug 2008)

Issuer	Issue	Date of Issue Prospectus	Issue Date (dd/mm/yy)	Maturity Date (dd/mm/yy)
Lehman Brothers International (Europe) Limited	Structured Retail Notes Series 67-70 (Series 70) HKD Callable CLN due 2012	08-Feb-07	22-Mar-07	22-Mar-12
Lehman Brothers International (Europe) Limited	Structured Retail Notes Series 71-74 (Series 71) USD Callable CLN due 2014	18-Apr-07	23-May-07	23-May-14
Lehman Brothers International (Europe) Limited	Structured Retail Notes Series 71-74 (Series 72) HKD Callable CLN due 2014	18-Apr-07	23-May-07	23-May-14
Lehman Brothers International (Europe) Limited	Structured Retail Notes Series 71-74 (Series 73) USD Callable CLN due 2012	18-Apr-07	23-May-07	23-May-12
Lehman Brothers International (Europe) Limited	Structured Retail Notes Series 71-74 (Series 74) HKD Callable CLN due 2012	18-Apr-07	23-May-07	23-May-12
Lehman Brothers International (Europe) Limited	Structured Retail Notes Series 78-81 (Series 78) USD Callable CLN due 2014	18-Jun-07	23-Jul-07	23-Jul-14
Lehman Brothers International (Europe) Limited	Structured Retail Notes Series 78-81 (Series 79) HKD Callable CLN due 2014	18-Jun-07	23-Jul-07	23-Jul-14
Lehman Brothers International (Europe) Limited	Structured Retail Notes Series 78-81 (Series 80) USD Callable CLN due 2012	18-Jun-07	23-Jul-07	23-Jul-12
Lehman Brothers International (Europe) Limited	Structured Retail Notes Series 78-81 (Series 81) HKD Callable CLN due 2012	18-Jun-07	23-Jul-07	23-Jul-12
SPARC Limited	Retail-Aimed Callable Investment Notes Global Series 1 & 2 (s. 1a) - USD First-to-Default Callable CLN due 2010	23-Apr-07	31-May-07	31-May-10
SPARC Limited	Retail-Aimed Callable Investment Notes Global Series 1 & 2 (s. 1b) HKD First-to-Default Callable CLN due 2010	23-Apr-07	31-May-07	31-May-10
SPARC Limited	Retail-Aimed Callable Investment Notes Global Series 1 & 2 (s.2a) USD First-to-Default Callable CLN due 2010	23-Apr-07	31-May-07	31-May-10
SPARC Limited	Retail-Aimed Callable Investment Notes Global Series 1 & 2 (s. 2b) HKD First-to-Default Callable CLN due 2010	23-Apr-07	31-May-07	31-May-10
Victoria Peak International Finance Limited	Octave Notes Series No. 10 (Tranche A) US Dollar Credit Linked Secured Callable Step-up Fixed Rate Notes due 2012	28-Aug-06	25-Sep-06	25-Mar-12
Victoria Peak International Finance Limited	Octave Notes Series No. 10 (Tranche B) HK Dollar Credit-Linked Secured Callable Step-up Fixed Rate Notes due 2012	28-Aug-06	25-Sep-06	25-Mar-12
Victoria Peak International Finance Limited	Octave Notes Series No. 11 & 12 (s. 11 Tranche A) US Dollar Credit Linked Secured Callable Fixed Rate Notes due 2010	10-Oct-06	15-Nov-06	15-Nov-10
Victoria Peak International Finance Limited	Octave Notes Series No. 11 & 12 (s. 11 Tranche B) HKD Credit Linked Secured Callable Fixed Rate Notes 2010	10-Oct-06	15-Nov-06	15-Nov-10
Victoria Peak International Finance Limited	Octave Notes Series No. 11 & 12 (s. 12 Tranche A) USD Credit Linked Secured Callable Fixed Rate Notes due 2012	10-Oct-06	15-Nov-06	15-May-12
Victoria Peak International Finance Limited	Octave Notes Series No. 11 & 12 (s. 12 Tranche B) HKD Credit Linked Secured Callable Fixed Rate Notes due 2012	10-Oct-06	15-Nov-06	15-May-12

**Outstanding Retail Structured Notes issued by Atlantic International Finance Limited
(as at 31 Aug 2008) (Information extracted from SFC's website)**

Issuer	Issue	Date of Issue Prospectus	Issue Date (dd/mm/yy)	Maturity Date (dd/mm/yy)
Atlantic International Finance Limited	ProFund Notes Series 1 US Dollar Fixed Rate Principal Protected Fund Linked Notes due 2010 (Tranche A Notes)	03-Jul-06	17-Aug-06	16-Jul-10
	ProFund Notes Series 1 US Dollar Zero Coupon Principal Protected Fund Linked Notes due 2010 (Tranche B Notes)	03-Jul-06	17-Aug-06	16-Jul-10
	ProFund Notes Series 2 US Dollar Fixed Rate Principal Protected FLN due 2012 (Tranche A)	22-Feb-07	03-Apr-07	02-Apr-12
	ProFund Notes Series 2 US Dollar Zero Coupon Principal Protected FLN due 2010 (Tranche B)	22-Feb-07	03-Apr-07	06-Apr-10

Outstanding Retail Structured Notes issued by Pyxis Finance Limited (as at 31 Aug 2008)

Issuer	Issue	Date of Issue Prospectus	Issue Date (dd/mm/yy)	Maturity Date (dd/mm/yy)
Pyxis Finance Limited	· Equity Linked Notes Series 8	13-Jul-04	06-Aug-04	06-Aug-10
	· Equity Linked Notes Series 9 (Tranche A US\$ + Tranche B HK\$)	04-Oct-04	27-Oct-04	27-Oct-08
	· Equity Linked Notes Series 10 (Tranche A US\$ + Tranche B HK\$)	16-Nov-04	17-Dec-04	17-Dec-10
	· Equity Linked Notes Series 13 (HKD Non-Principal Guaranteed Equity-Linked Notes due 2010)	07-Jul-05	27-Jul-05	27-Apr-10
	· Equity Linked Notes Series 13 (USD Non-Principal Guaranteed Equity-Linked Notes due 2010)	07-Jul-05	27-Jul-05	27-Apr-10
	· Equity Linked Notes Series 14 (HKD Non-Principal Guaranteed Equity-Linked Notes due 2010)	02-Aug-05	22-Aug-05	24-May-10
	· Equity Linked Notes Series 14 (USD Non-Principal Guaranteed Equity-Linked Notes due 2010)	02-Aug-05	22-Aug-05	24-May-10
	· Equity Linked Notes Series 19 (Tranche B)	04-Dec-06	04-Jan-07	05-Jan-09
	· HKD Equity Linked Notes Series 20 (Tranche A)	22-Jan-07	26-Feb-07	28-Feb-11
	· USD Equity Linked Notes Series 20 (Tranche B)	22-Jan-07	26-Feb-07	28-Feb-11
	· HKD Equity Linked Notes due 2009 Series 21 (Tranche A)	24-Apr-07	28-May-07	30-Nov-09
	· USD Equity Linked Notes due 2009 Series 21 (Tranche B)	24-Apr-07	28-May-07	30-Nov-09

Annex 3

As far as brokers that had acted as the distribution agents for Lehman Brothers Minibonds / equity or fund linked notes are concerned, the outstanding positions held by their clients as at 22 September 2008 are as follows:

	Outstanding positions stated at nominal value	No. of clients
Minibonds (Pacific International Finance Limited)	HK\$110.5 million	361
Fund linked notes (Atlantic International Finance Limited)	HK\$91,000	2
Equity linked notes (Pyxis Finance Limited)	HK\$ 68,000	1