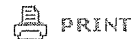




SECURITIES AND  
FUTURES COMMISSION  
證券及期貨事務監察委員會



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## SFC completes investigations of all 19 Minibond distributors

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### Press Releases

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17 December 2009

#### **SFC completes investigations of all 19 Minibond distributors**

The Securities and Futures Commission (SFC) and Grand Cathay Securities (Hong Kong) Ltd (Grand Cathay) today jointly announce an agreement to resolve issues arising from the SFC's investigation into Grand Cathay's sale of Lehman Brothers Minibonds.

The agreement was reached after the SFC took into account that Grand Cathay had made repurchase offers voluntarily to all its 37 clients totaling US\$3.93 million (Note 1).

Grand Cathay has informed the SFC that all customers have accepted these offers and entered into repurchase agreements with it.

Mr Mark Steward, the SFC's Executive Director of Enforcement, said, "Today's agreement with Grand Cathay brings an end to the SFC's investigations into all 19 distributors of Minibonds. We believe this agreement is an appropriate resolution. The SFC will continue its investigations into the sale of non-Minibond structured products related to Lehman Brothers." (Note 2)

In resolving the investigation under section 201 of the Securities and Futures Ordinance, the agreement also requires Grand Cathay:

- to immediately implement special enhanced complaints handling procedures to resolve, in a fair and reasonable manner, all complaints in relation to the sale and distribution of structured products other than Minibonds;
- to engage an independent reviewer, to be approved by the SFC, to review its systems and processes relating to the sale of structured products and to report to the SFC, and to commit to the implementation of all recommendations by the independent reviewer;
- to engage a qualified third party, as approved by the SFC, to review and enhance its complaints handling procedures, and to commit to the implementation of all recommendations by such third party; and

- to set aside the sum of HK\$712,423.08, being commission income earned by it from the distribution of Minibonds, to be paid to the Hong Kong Securities Institute to meet the costs of a series of seminars and/or training programmes on the subject of compliance with the SFC's Code of Conduct regarding the sale of investment products to retail investors (Note 3).

The SFC acknowledges that Grand Cathay has fully co-operated with the SFC's investigation and has taken these remedial steps of its own volition to replicate the resolutions secured by the SFC with other Minibond distributors.

End

Notes:

1. Grand Cathay made repurchase offers to 15 customers at the original value of principal invested totaling US\$1.62 million prior to the SFC's agreement with the distributing banks on 22 July 2009 and, after that date, made repurchase offers to the rest of its customers on the same terms as the distributing banks totaling US\$2.31 million. Please see SFC press release dated 22 July 2009 for details of the agreement between the SFC, the Hong Kong Monetary Authority and the 16 distributing banks in relation to the repurchase of Lehman Brothers Minibonds from eligible customers.
2. Since 22 January 2009, the SFC has entered into agreements under section 201 of the Securities and Futures Ordinance with all 19 banks and brokers who had been appointed as distributors of Minibonds in Hong Kong. Under these agreements, more than HK\$5.2 billion is or has been paid to approximately 24,400 bank customers (in addition, about 4,800 customers who had previously entered into settlement agreements with the banks became entitled to receive top up offers matching the repurchase offers made to customers under the section 201 agreement) and approximately HK\$109 million has been paid to 366 broker customers. The SFC is continuing with inquiries in relation to two brokers who were not Minibond distributors but who bought and sold a small number of Minibonds.
3. The amount of commission income excludes income earned from the sale of Minibonds to the 15 customers who received repurchase offers at the original value of their investments to ensure consistency with the agreements entered into with Sun Hung Kai Investment Services Ltd and KGI Asia Ltd. Please see SFC press releases dated 22 January 2009 and 5 April 2009 respectively.

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*Currency is denominated in Hong Kong dollars unless otherwise stated.*

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