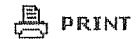




SECURITIES AND
FUTURES COMMISSION
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SFC reaches agreement with Karl Thomson Investment Consultants Ltd concerning sale of Lehman Brothers Minibonds

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13 January 2010

SFC reaches agreement with Karl Thomson Investment Consultants Ltd concerning sale of Lehman Brothers Minibonds

The Securities and Futures Commission (SFC) and Karl Thomson Investment Consultants Ltd (Karl Thomson) today jointly announce that they have reached an agreement to resolve issues arising from the sale of Lehman Brothers Minibonds (Minibonds) by Karl Thomson (Note 1).

Although Karl Thomson was not a distributor of Minibonds, the firm purchased Minibonds and sold them to 11 clients (totalling \$2.57 million in sales) between September 2005 and January 2006.

Karl Thomson has informed the SFC that it had made repurchase offers voluntarily to all 11 clients, and that all these clients have accepted the offers and entered into repurchase agreements with it (Note 2).

Under the agreement reached with the SFC pursuant to section 201 of the Securities and Futures Ordinance, Karl Thomson agrees without admission of liability:

- 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 \$38,453.93, being commission income earned by it from the sale 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 (Note 3) regarding the sale of investment products to retail investors.

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

The SFC has earlier in December 2009 concluded its top-down investigations into all Minibond distributors (Note 4).

End

Notes:

1. Karl Thomson acquired the Minibonds through Sun Hung Kai Investment Services Ltd, the co-ordinating distributor of Minibonds in Hong Kong.
2. Karl Thomson made repurchase offers to 11 customers on the same terms as the distributing banks. 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.
3. Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.
4. For details, please see SFC press releases dated 22 January 2009, 5 April 2009, 22 July 2009 and 17 December 2009.

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Currency is denominated in Hong Kong dollars unless otherwise stated.

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