



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

**Opening Statement of Mr Martin Wheatley  
Chief Executive Officer, SFC**

**3 August 2009**

Thank you Chairman.

I would like to take a few minutes to brief Honourable members on the agreement that the SFC, the Monetary Authority and 16 distributing banks have reached in relation to the repurchase of Lehman Brothers Minibonds from all eligible investors – that is, 18 separate parties to the agreement which I am sure you will understand is a complex process.

We have all along, sought to reach an agreement which can see rapid return of a significant part of investors capital rather than a very complex and drawn-out set of procedures through the courts with no certainty as to the ultimate outcome.

Under the agreement, the 16 banks will make an offer to repurchase the Minibonds and make payments to investors in return in two stages. This will mean that the vast majority of investors will receive back around 70% of their investment, and potentially more, depending on the collateral.

In the first stage, investors below the age of 65 will receive an upfront payment of 60 percent of their original investment, and 70% for those who are aged 65 or above. This will be on top of the coupon payments that they have already received so far – which is not part of the agreement.

Once the banks have recovered the collateral, they will pay investors an additional amount as a second stage payment depending on the level of recovery.

The agreement allows the vast majority of Minibond investors to recover ultimately around 70 percent of their capital, and possibly more. If the recoveries of the collateral exceed 70 percent, the banks have committed to return any excess amount to investors.

Under this arrangement, investors will be able to receive full payment if the collateral is worth 100% of their original investment.

For a number of early Minibond series, investors will likely get substantially more than what they would get if they continued to hold the Minibonds until they recovered the collateral.

Apart from the repurchase offer, the agreement also addresses the regulatory concerns which we had during our investigations.



As part of the agreement, the banks will contribute their commission income -- which amount to HK\$ 200 million -- to a fighting fund to expedite the recovery of the underlying collateral.

The banks will also need to immediately implement special enhanced complaints handling procedures to resolve ALL complaints in relation to the sale and distribution of other structured products.

The banks have also committed to engage independent third parties to review their systems and processes, as well as their enhanced complaints handling procedures and to implement all the recommendations at the end of those reviews.

I am well aware of the feedback from investors about the repurchase offer and the concerns of those who have bought structured products other than Minibonds.

Let me stress that the SFC has NO power to force any parties to compensate investors under the current regulatory framework. Any settlement has to be voluntary.

What we do is to look at an offer and take a view as to whether the offer is in the broad interest of the investors and of the public and whether it mitigates the regulatory concerns that arise as part of our investigation.

Given that the majority of the investors will ultimately recover around 70% of their original investment, and possibly more, we believe this agreement is a reasonable outcome, one which is in the public's interest and has addressed our regulatory concerns.

Minibond holders are not obliged to accept this repurchase offer. They may choose to pursue their case through legal means if they so wish.

For investors who have bought other structured products, like ELNs, the 16 banks are required -- under the agreement -- to resolve ALL complaints about unlisted structured products through the special enhanced complaints handling procedures -- in a fair and reasonable manner.

Investors who are not satisfied with the way their complaints are handled can still take their case to the regulators which can open an investigation and take enforcement action if necessary.

In no way are we giving up our rights or abilities to investigate unresolved issues involving products other than Minibonds where there are concerns.

I hope I have addressed some of the issues which investors and Honourable Members may have about the agreement and I am happy to answer questions.

Thank you.

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