

**Panel on Financial Affairs  
Special meeting on 23 February 2009**

**List of follow-up actions**

**Briefing on the reports prepared by the Hong Kong Monetary Authority and the Securities and Futures Commission on the Lehman Brothers Minibonds incident**

1. In response to Hon Audrey EU's concern about the extensive impact of the Lehman Minibonds incident on retail investors in Hong Kong compared with overseas jurisdictions, **the Administration/the Hong Kong Monetary Authority (HKMA)/the Securities and Futures Commission (SFC)** were requested to provide in writing the circumstances specific to Hong Kong (such as the market structure, regulatory regime governing the sale of structured financial products; conduct of banks/brokers; or awareness of the risks involved in these products etc.) leading to the large number of retail investors investing in Lehman Brothers-related Minibonds.
2. To address Hon James TO's concern about HKMA's analyses and follow-up actions regarding the sale of credit-linked products without full principal protection, including those with collateralized debt obligations as underlying collateral, **HKMA** was requested to provide information obtained during its survey in late 2007 on the sale of such products by authorized institutions (AIs), including but not limited to the total value of these products distributed through AIs and the number of customers investing in these products.
3. To address Hon Emily LAU's concern about the progress of handling and investigations of Lehman-related complaints, **HKMA** was requested to provide the latest information on the total number of complaints received and the number of cases which :
  - (a) had gone through preliminary assessment;
  - (b) HKMA had commenced investigation;
  - (c) pending due to inability to obtain necessary information from the complainants concerned; and
  - (d) had been referred to SFC.

**Investor protection under the existing regulatory framework for the securities market**

4. To address Hon James TO's concern about the protection of minority shareholders' interest in the privatization process of listed companies, **SFC** was requested to provide information in writing, on the powers conferred on SFC

under the law, (notably section 214 of the Securities and Futures Ordinance (Cap. 571)), to seek remedies and/or to revert the decision of privatization after the scheme of arrangement for privatization had been approved by the court.

5. In response to Hon CHIM Pui-chung's concern about the existing arrangements of the Hong Kong Securities Clearing Company Limited (HKSCC) in respect of cases of lost share certificates, *the Administration/SFC/Hong Kong Exchanges and Clearing Limited* were requested to provide information on:
  - (a) whether and how the interest of the investors concerned could be better protected, in particular on the requirement to obtain bank guarantee for re-issue of the lost certificates; and
  - (b) the arrangements to deal with dividends and bonus shares arising from these lost cases which the investors concerned failed to prove their entitlements.
6. To address Hon Starry LEE's concern about the exercise of voting rights by minority shareholders of listed companies, *SFC* was requested to provide information on the timing and details of the review on HKSCC's measures to enhance investor protection, including measures to increase shareholders' control of their securities and voting rights.

Council Business Division 1  
Legislative Council Secretariat  
25 February 2009