

**Legislative Council Panel on Financial Affairs
Meeting on 21 April 2011**

**List of follow-up actions
Lehman Brothers Minibonds collateral recovery agreement
and related issues**

Response to Question 2 on any inconsistency between the statement made on 22 July 2009 and the present recovery and proposed distributions of the value of the collateral for Minibond holders

There is no inconsistency between the announcement of the Minibond resolution dated 22 July 2009 and the recent announcement made by the 16 Minibond distributing banks on 28 March 2011 in terms of the collateral distribution arrangement.

The banks will in fact pay to eligible customers the entire amount that exceeds 70% of the amount of collateral that is recovered and paid to them. This is exactly what they are obliged to do under the 22 July 2009 agreement and it is what they will do when the collateral repatriation process is completed.

The only additional matter is the *ex gratia* payment announced by the 16 banks. In effect, the banks have said they will pay an additional amount to eligible customers on a voluntary basis which will return even more money to eligible customers. Under this additional offer, if the eligible customer is able to recover 80% of his principal invested, the bank will pay an extra 10% (i.e. 50% of the shortfall) to the customer as an *ex gratia* payment.

Response to Question 3 on whether investment linked assurance schemes and other insurance products held by customers at or with the Standard Chartered Bank (Hong Kong) Limited are regarded as “Available Assets” under the repurchase scheme

Under the section 201 agreement, the Standard Chartered Bank (Hong Kong) Limited (Standard Chartered) is required to calculate the repurchase offer for each eligible customer on the basis of the

total value of that customer's "Available Assets" held "at or with" Standard Chartered.

The Securities and Futures Commission (SFC) is able to clarify that **no** investment linked assurance scheme product nor any other insurance product is to be regarded as an "Available Asset" for the purposes of the section 201 agreement.

Standard Chartered has confirmed to the SFC and the Hong Kong Monetary Authority that this is also its understanding.

Standard Chartered has agreed to clarify and to remedy this position and will issue new repurchase offers to customers who may have been affected by different representations.

Securities and Futures Commission
May 2011