

**CITIBANK (HONG KONG) LIMITED**

**SUBMISSIONS IN RESPONSE TO THE LETTER OF THE LEGISLATIVE  
COUNCIL SUBCOMMITTEE TO STUDY ISSUES ARISING FROM LEHMAN  
BROTHERS-RELATED MINIBONDS AND STRUCTURED FINANCIAL  
PRODUCTS DATED 19 MAY 2010**

1. Please provide the following information on the investment products distributed by CHKL during the period March 2007 and June 2008:
  - (a) as at 15 September 2008 (the collapse of Lehman Brothers (LB)), the respective total value (HK\$) of the outstanding LB-related market-linked notes (MLNs) and equity-linked notes (ELNs) distributed by CHKL;
  - (b) the total number of the investment products distributed (and the number, if any, of investment products launched per week);
  - (c) the total sales value (HK\$) of the investment products distributed;
  - (d) the total number of series and sales value (HK\$) of (i) MLNs and (ii) ELNs (comprising both LB and non-LB MLNs and ELNs) distributed;
  - (e) out of the total sales value of the investment products distributed, the respective percentage accounted for by (i) MLNs and (ii) ELNs; and
  - (f) out of the total sales value of MLNs and ELNs distributed, the percentage accounted for by (i) MLNs and (ii) ELNs.
- 1.1 As at 15 September 2008, the total value of the outstanding LB-related market-linked notes ("MLNs") distributed by CHKL was HK\$323,270,676 (US\$41,483,783 @ exchange rate of US\$1 to HK\$7.7927) and the total value of the outstanding LB-related equity-linked notes ("ELNs") distributed by CHKL was HK\$1,244,271,669 (US\$159,671,445 @ exchange rate of US\$1 to HK\$7.7927).
- 1.2 During the period from March 2007 to June 2008, CHKL distributed 7 types of investment products including mutual funds, bonds, securities, structured products (including market-linked notes & equity-linked notes), premium deposits, investment-linked insurance and leverage treasury products. The number of investment products launched per week was slightly over 1.

1.3 The total sales value of the investment products of CHKL during the period from March 2007 to June 2008 were:

<b>Investment Products</b>	<b>Total sales value (HK\$, Millions)</b>
Mutual Funds	HK\$45,057 (US\$5,782 @ exchange rate of US\$1 to HK\$7.7927)
Structured Products	HK\$7,520 (US\$965 @ exchange rate of US\$1 to HK\$7.7927)
Bonds	HK\$382 (US\$49 @ exchange rate of US\$1 to HK\$7.7927)
Securities	HK\$33,774 (US\$4,334 @ exchange rate of US\$1 to HK\$7.7927)
Investment-Linked Insurance	HK\$1,161 (US\$149 @ exchange rate of US\$1 to HK\$7.7927)
Premium Deposits	HK\$294,611 (US\$37,806 @ exchange rate of US\$1 to HK\$7.7927)
FX Margin	HK\$42,174 (US\$5,412 @ exchange rate of US\$1 to HK\$7.7927)
FX Options	HK\$19 (US\$2.4 @ exchange rate of US\$1 to HK\$7.7927)
FX Accumulator	HK\$148 (US\$19 @ exchange rate of US\$1 to HK\$7.7927)
<b>Total</b>	<b>HK\$424,846</b> <b>(US\$54,518 @ exchange rate of US\$1 to HK\$7.7927)</b>

1.4 During the period from March 2007 to June 2008, CHKL distributed 168 series of MLNs (including both LB-related and non LB-related MLNs) with sales value of HK\$4,917 millions (US\$631 millions, @ exchange rate of US\$1 to HK\$7.7927) and 103 series of

ELNs (including both LB-related and non LB-related ELNs) with sales value of HK\$2,603 millions (US\$334 millions, @ exchange rate of US\$1 to HK\$7.7927).

- 1.5 During the relevant period, MLNs accounted for 1.2% and ELNs accounted for 0.6% of the total sales value of the investment products distributed by CHKL.
- 1.6 During the relevant period, LB-related MLNs accounted for 9% of the total sales value of MLNs distributed by CHKL and LB-related ELNs accounted for 52% of the total sales value of ELNs distributed by CHKL.
2. **Regarding the complaint cases handled by Hong Kong Monetary Authority (HKMA) concerning CHKL's sale of Lehman Brothers-related investment products during the relevant period (i.e. March 2007 and June 2008), please clarify the following:**
  - (a) **whether CHKL is aware of the number of such complaint cases which have been referred by HKMA to the Securities and Futures Commission (SFC); if yes, please provide the number of cases and the number of existing staff and/or former staff involved;**
  - (b) **whether CHKL has received a copy of the proposed disciplinary notice or decision notice issued to the relevant individual(s) (RI) concerned or whether CHKL has been notified of the issuance of such notices to the RI(s); and**
  - (c) **if the answer to (b) is in the affirmative, the number of existing and/or former staff and the number of cases involved.**
- 2.1 As CHKL is bound by the secrecy provisions under section 378 of the Securities and Futures Ordinance, CHKL is not in a position to provide the Subcommittee with the information requested in paragraphs 2(a) to (c) of your letter.
3. **Please provide the information in the enclosed Tables 1 to 3.**
- 3.1 Please kindly find enclosed Tables 1 to 3 containing the information requested by the Subcommittee.

**Table 1: Statistics on the customers purchasing LB MLNs distributed by the Bank**

<b>Top five occupations/employment (if any) stated by the customers</b>	<b>Number of customers</b>	<b>Percentage share in the total number of customers purchasing the products</b>	<b>Investment amount (HK\$)</b>	<b>Percentage share in the total investment amount of all customers purchasing the products</b>
1. <b>Manager/Executive</b>	102	40%	HK\$137,023,307 (US\$17,583,547)	42%
2. <b>Professional</b>	37	14%	HK\$34,713,658 (US\$4,454,638)	11%
3. <b>Housewife</b>	35	14%	HK\$50,520,775 (US\$6,483,090)	16%
4. <b>Trader/Proprietor</b>	26	10%	HK\$37,558,335 (US\$4,819,682)	12%
5. <b>Retired</b>	26	10%	HK\$36,693,938 (US\$4,708,758)	11%
<b>Customers aged 65 or above</b>	22	9%	HK\$ 39,255,804 (US\$ 5,037,510)	12%
<b>Customers who had transacted less than five times in investment products sold by the Bank within the three year period before their purchase of LB MLNs</b>	83	32%	HK\$ 87,992,254 (US\$11,291,626)	27%

(Exchange rate of US\$1 to HK\$7.7927)

**Table 2: Statistics on the customers purchasing LB ELNs distributed by the Bank**

<b>Top five occupations/employment (if any) stated by the customers</b>	<b>Number of customers</b>	<b>Percentage share in the total number of customers purchasing the products</b>	<b>Investment amount (HK\$)</b>	<b>Percentage share in the total investment amount of all customers purchasing the products</b>
<b>1. Manager/Executive</b>	506	42%	HK\$601,004,508 (US\$77,124,040)	48%
<b>2. Professional</b>	157	13%	HK\$132,931,820 (US\$17,058,506)	11%
<b>3. Trader/Proprietor</b>	134	11%	HK\$156,381,511 (US\$20,067,693)	13%
<b>4. Administrative/Sales/White Collar</b>	125	10%	HK\$107,659,747 (US\$13,815,462)	9%
<b>5. Retired</b>	122	10%	HK\$108,272,040 (US\$13,894,034)	9%
<b>Customers aged 65 or above</b>	95	8%	HK\$ 126,897,936 (US\$16,284,207)	10%
<b>Customers who had transacted less than five times in investment products sold by the Bank within the three year period before their purchase of LB ELNs</b>	321	27%	HK\$ 289,991,567 (US\$ 37,213,234)	23%

(Exchange rate of US\$1 to HK\$7.7927)

**Table 3: Statistics on the complaints in respect of the sale of LB MLNs and ELNs by the Bank**

	Total number of complaints	LB MLNs		LB ELNs	
		Total number of customers involved	Total investment amount involved (HK\$)*	Total number of customers involved	Total investment amount involved (HK\$)*
Complaints received up to 15 September 2008	2	1	HK\$545,489 (US\$70,000)	1	HK\$623,416 (US\$80,000)
Settled cases out of the complaints received up to 15 September 2008	0	0	0	0	0
Complaints received after 15 September 2008	594	87	HK\$107,054,274 (US\$13,737,764)	507	HK\$511,072,032 (US\$65,583,435)
Settled cases out of the complaints received after 15 September 2008	52**	10	HK\$8,327,918 (US\$1,068,682)	42	HK\$36,957,094 US\$4,742,527
Branch with the highest number of complaints	145	33	HK\$50,840,557 (US\$6,524,126)	112	HK\$137,709,162 (US\$17,671,560)
Staff member with the highest number of complaints	16	6	HK\$3,896,350 (US\$500,000)	10	HK\$19,852,604 (US\$2,547,590)

\* Exchange rate of US\$1 to HK\$7.7927

\*\* As of March 31, 2010