



HONG KONG MONETARY AUTHORITY  
香港金融管理局

Arthur K. H. Yuen JP  
*Deputy Chief Executive*

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副總裁

Our Ref: G14/64C

Your Ref: CB1/HS/1/08

5 August 2010

Miss Polly YEUNG  
Clerk to Subcommittee to Study Issues Arising from  
Lehman Brothers-related Minibonds and Structured Financial Products  
Legislative Council Building  
8 Jackson Road  
Central  
Hong Kong

Dear Miss YEUNG,

**Subcommittee to Study Issues Arising from Lehman Brothers-related  
Minibonds and Structured Financial Products**

**Hong Kong Monetary Authority's investigation findings on the sale of  
Lehman Brothers-related structured financial products**

Further to my letter to you on 5 May 2010, I write to respond to the Subcommittee regarding the information requested in your letter of 28 April 2010.

Similar to the information previously provided to the Subcommittee on 15 December 2008, the Hong Kong Monetary Authority (HKMA) provides an update to the following information in respect of each of the 19 banks set out in the attached list to your letter (see the enclosed Table 1):

- (a) The number of Lehman Brothers-related complaints received by the HKMA;
- (b) The number of account holders in respect of the Lehman Brothers-related complaints received; and
- (c) The total amount of the transactions in respect of the Lehman Brothers-related complaints received.

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The enclosed Table 1 also provides the number of Lehman Brothers-related complaints in which the HKMA has imposed disciplinary sanctions and the particulars of such sanctions.

As regards the other information in respect of each of the 19 banks requested in your letter concerning:

- (i) the number of Lehman Brothers-related complaints received by the HKMA still under investigation;
- (ii) the number of Lehman Brothers-related complaints received by the HKMA with insufficient prima facie evidence;
- (iii) the number of substantiated Lehman Brothers-related complaints and the number of account holders involved, the total amount of the transactions involved and the irregularities / non-compliances identified in these substantiated complaints;
- (iv) the number of Lehman Brothers-related complaints received by the HKMA which have been resolved by enhanced complaint handling procedures; and
- (v) the number of Lehman Brothers-related complaints referred to the Securities and Futures and Commission by the HKMA,

the HKMA is unable to provide such information as the HKMA is precluded by section 120 of the Banking Ordinance from disclosing such information.

Nevertheless, the HKMA can provide related information to the extent permitted by law. In this regard, please refer to the enclosed Table 2 which is a summary of the information provided by the 19 banks in respect of items (i) to (iv) above other than the irregularities / non-compliances identified in the complaints undergoing the disciplinary process and the summary of the information in respect of (v) above.

In response to your request for the information relating to cases identified with irregularities / non-compliances, the table below provides an update to the information previously provided to the Subcommittee on 12 June 2009 with general reference to paragraph 6.8 to paragraph 6.14 of the Report of the HKMA on Issues Concerning the Distribution of Structured Products Connected to Lehman Group Companies submitted to the Financial Secretary on 31 December 2008:

Category of potential issue observed	Number of complaints
Product due diligence and monitoring	28
Customer risk profiling system	683
Deficiencies, errors or omissions in documentation	21
Product suitability and understanding of product nature and risks	2,086 <sup>#</sup>
<b>Total</b>	<b>2,818<sup>#</sup></b>

\* Among these complaints, 120 cases relate to the sale of products to vulnerable customers.

# These complaints do not include those already resolved by settlements under section 201 of the Securities and Futures Ordinance and those already resolved by the enhanced complaint handling procedures of the banks concerned.

Yours sincerely,



Encl.

Table 1

**Complaints handled by the Hong Kong Monetary Authority in respect of  
the sale of Lehman Brothers-related structured financial products by banks (as at 29 July 2010)**

	Bank	Complaints received by HKMA			No. of complaints in which HKMA has imposed disciplinary sanctions and particulars of such sanctions
		No. of complaints	No. of account holders involved	Total transaction amount involved (HK\$)	
1	DBS Bank (Hong Kong) Limited	2,092	2,369	906,205,686	2
2	Standard Chartered Bank (Hong Kong) Limited	1,040	1,159	938,636,100	-
3	Citibank (Hong Kong) Limited	502	577	546,701,000	-
4	The Royal Bank of Scotland N.V. (formerly known as ABN AMRO Bank N.V.)	459	500	465,132,493	-
5	Bank of China (Hong Kong) Limited	7,542	8,357	3,108,684,123	-
6	Dah Sing Bank Limited	1,733	1,925	846,048,217	-
7	Bank of Communications	1,363	1,505	440,704,000	-
8	Bank of East Asia Limited	471	551	144,248,388	-
9	Chiyu Banking Corporation Limited	482	549	211,591,000	-
10	Chong Hing Bank Limited	991	1,133	394,185,800	-
11	CITIC Ka Wah Bank Limited (renamed CITIC Ka Wah International Limited since 7/5/2010)	844	933	407,071,150	-
12	Fubon Bank (Hong Kong) Limited	284	305	174,856,760	-
13	Industrial and Commercial Bank of China (Asia) Limited	192	224	112,563,085	-
14	MEVAS Bank Limited	299	316	162,062,800	-
15	Nanyang Commercial Bank Limited	1,136	1,262	515,226,500	-
16	Public Bank (Hong Kong) Limited	117	124	45,219,000	-
17	Shanghai Commercial Bank Limited	517	564	274,394,710	-
18	Wing Lung Bank Limited	574	672	345,994,450	-
19	Wing Hang Bank Limited	858	961	638,523,500	-
<b>Total of 19 banks</b>		<b>21,496</b>	<b>23,986</b>	<b>10,678,048,762</b>	<b>2</b>

\* Please see the HKMA's press releases dated 20 Nov 2009 and 14 May 2010 for particulars of sanctions, copy of which is attached at [Annex A](#).

Annex A

中文

## The HKMA suspends Leung Wai Yu for three months

The Monetary Authority (MA) has suspended Ms Leung Wai Yu's relevant particulars from the HKMA register maintained under section 20(1)(ea) of the Banking Ordinance for three months from 20 November 2009 to 19 February 2010<sup>1</sup>.

The Hong Kong Monetary Authority's (HKMA) investigation found that in March 2006, Ms Leung, an employee of DBS Bank (Hong Kong) Limited, in the course of selling a client Constellation Credit Linked Note, had:

- failed to diligently disclose and explain to the client the product's risk<sup>2</sup>, and
- failed to complete the risk disclosure statement for the client in accordance with the bank's internal control procedures.

In determining the sanction, the MA has taken into account all the circumstances of the case, including the extent of the client's losses and the fact that Ms Leung has no disciplinary history.

The action follows Ms Leung's withdrawal of an appeal with the Securities and Futures Appeals Tribunal (SFAT) seeking to review the MA's decision to discipline her.

Mr Raymond Li, the Executive Director of the HKMA responsible for Securities Enforcement said: "This is the first time the HKMA has taken disciplinary action against a relevant individual in connection with a Lehman Brothers-related investment product. There are other disciplinary cases which have reached an advanced stage and will be announced in due course."

For further enquiries, please contact:  
Alice Lo, Communications Chief, at 2878 1480 or  
Hing-fung Wong, Manager (Communications), at 2878 1802

Hong Kong Monetary Authority  
20 November 2009

<sup>1</sup>At the relevant time, Ms Leung was an individual whose name was entered in the register maintained by the Hong Kong Monetary Authority under section 20 of the Banking Ordinance as a person engaged by DBS Bank (Hong Kong) Limited in respect of Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities. Ms Leung is currently employed by another bank.

<sup>2</sup>Lehman Brothers Holdings Inc. is one of the reference entities in the Note in respect of the occurrence of a credit event.



## The HKMA suspends Ko Wai Ling for five months

The Monetary Authority (MA) has suspended Mr Ko Wai Ling's relevant particulars from the HKMA register maintained under section 20(1)(ea) of the Banking Ordinance for five months from 14 May 2010 to 13 October 2010<sup>1</sup>.

The Hong Kong Monetary Authority's (HKMA) investigation found that in July 2007, Mr Ko, an employee of DBS Bank (Hong Kong) Limited, in the course of selling a client Constellation Credit Linked Note (Lehman Brothers related), had:

- failed to diligently disclose and explain to the client the product risks involved, and did not ensure product suitability for the same client; and
- failed to complete the risk disclosure statement for the client in accordance with the bank's internal control procedures.

In deciding the disciplinary sanction, the MA has taken into account all the circumstances of the case, including the extent of the client's losses and Mr Ko's clear disciplinary record.

For further enquiries, please contact:  
Peggy Lo, Manager (Communications), at 2878 1687 or  
Natalie Wu, Officer (Communications), at 2878 8246

Hong Kong Monetary Authority  
14 May 2010

<sup>1</sup> At the relevant time, Mr Ko was an individual whose name was entered in the register maintained by the Hong Kong Monetary Authority under section 20 of the Banking Ordinance as a person engaged by DBS Bank (Hong Kong) Limited in respect of Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities.

Table 2

**Complaints handled by the Hong Kong Monetary Authority in respect of  
the sale of Lehman Brothers-related structured financial products by banks (as at 29 July 2010)**

Bank	No. of complaints still under investigation	HKMA's investigation findings					No. of complaints received by HKMA which have been resolved by enhanced complaint handling procedures	No. of complaints referred to the Securities and Futures Commission by HKMA
		No. of complaints with insufficient prima facie evidence or disciplinary grounds <sup>1</sup>	No. of complaints undergoing the disciplinary process <sup>2</sup>	Total no. of account holders involved in complaints undergoing the disciplinary process	Total transaction amount involved in complaints undergoing the disciplinary process (HK\$)	Irregularities / non-compliances identified in complaints undergoing the disciplinary process		
Total of 19 banks	135	2,437	2,818	3,122	1,585,248,071	Note 3	2,492	2,798

**Notes:-**

<sup>1</sup> These are cases in which (a) there is a lack of prima facie evidence for investigation, (b) the HKMA's investigation has not found sufficient evidence or grounds to proceed with the relevant individuals concerned or (c) investigations are unable to proceed further because the complainants have declined to provide further information to the HKMA. However, investigations at the bank level, if any, will continue. Investigation into these cases may be re-opened if more information is available.

<sup>2</sup> These are cases with preliminary decision to impose sanction.

<sup>3</sup> Please refer to the covering letter for details.