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Ref:

By Facsimile 2121 0420

Your Ref.: CBI/PL/FA

Ms. Anita Sit  
 Clerk to the Panel on Financial Affairs  
 Legislative Council  
 Legislative Council Building  
 8 Jackson Road, Central  
 Hong Kong

15 April 2011

Dear Ms. Sit

**Panel on Financial Affairs (the Panel) – Special Meeting to be held on 21 April 2011  
 Lehman Brothers Minibonds**

We refer to your letter dated 8 April 2011 sent on behalf of the Hon. Chan Kam-lam Chairman of the Panel (the **Letter**). As you may know, HSBC Bank USA, National Association acts as trustee (the **Trustee**) in the Minibond transactions, and accordingly we are responding on its behalf.

*Attendance at the Meeting*

You have requested our presence at the special meeting of the Panel to be held on 21 April 2011 at 4:30pm in the Chamber of the Legislative Council Building (the **Meeting**). The following individual will attend the Meeting on behalf of the Trustee:

Name	Title
Kenneth Ng	General Counsel Asia Pacific, The Hongkong and Shanghai Banking Corporation Limited

*Questions on the Settlement raised by Hon Kam Nai-wai*

We understand that the Receivers of the collateral underlying the Minibonds (the **Receivers**), the Distributing Banks and the Administration will be providing you with responses to the questions raised by Hon Kam Nai-wai in his letter of 6 April 2011 which are more properly addressed by them. In respect of those questions that are expressly addressed to the Trustee, our response is set out below.

The Hongkong and Shanghai Banking Corporation Limited  
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Page / \_\_\_\_\_

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*Question 7*

The costs and expenses of the Trustee and the Receivers (including their agents and advisors) incurred in connection with the administration of the Minibond transactions, since bankruptcy proceedings were commenced in respect of Lehman Brothers Holdings Inc. and Lehman Brothers Special Financing Inc. in the United States, are just over US\$12.2 million. Such costs include the fees of legal counsel in Hong Kong, New York and London in evaluating the consequences of the Lehman bankruptcy on the Minibond transactions, including termination of the swap transactions entered into in connection with the Minibonds, and taking steps to protect the collateral securing the Minibonds (for example by appointing the Receivers).

The Trustee's and the Receiver's costs and expenses referred to above have been or will be paid out of the fund provided by the Distributing Banks and have not resulted in any deduction from the collateral.

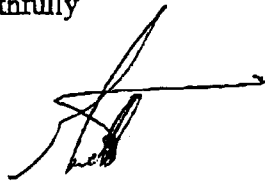
*Question 8*

From the date on which bankruptcy proceedings were commenced in respect of Lehman Brothers Holdings Inc. and Lehman Brothers Special Financing Inc. in the United States, the Trustee has not deducted any costs from the collateral.

*Question 10*

The settlement with Lehman Brothers was negotiated by the Receivers. The Trustee played no part in the negotiations with Lehman Brothers.

Yours faithfully



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**The Hong Kong and Shanghai Banking Corporation Limited**