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BY HAND

Mr. Joseph Yam
Chief Executive Officer
Hong Kong Monetary Authority
55th floor
IFC 2
HONG KONG

Dear Joseph

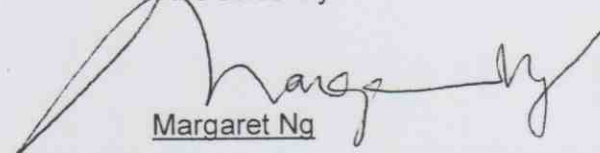
Thank you for your prompt reply which, unfortunately, does not answer the most pressing issue in my letter which is the protection of consumer-investors who were persuaded to buy minibonds from banks.

My question is a simple one. Given that the minibond is a complex high risk financial product, how did it come about that it was allowed to be sold by bank staff directly to consumers including vulnerable groups if the HKMA had been performing its proper regulatory function to protect investors? Further, now that this has nevertheless happened resulting in substantial loss to a large number of consumer investors, is it the case that investigating complaints and leaving the victims to take legal action individually (if they can afford it) the only action the HKMA is prepared to take? If that is indeed the case, can HKMA be said to have fulfilled its assurance to the legislature at the time the Banking (Amendment) Bill was vetted and passed? If the HKMA is unwilling and unable to do more, then how can we say the present regulatory system is adequate in relation to banks?

No one is suggesting that the HKMA has the power to force culpable banks to pay compensation. Neither does the Monetary Authority of Singapore have such powers. But the MAS has shown itself to be willing to take proactive steps to protect consumers and in so doing safeguard confidence in its banking system. It is not for me to tell the HKMA what measures to adopt to achieve the requisite results. Rather, I am waiting with some anxiety to hear what further measures you propose to take.

In your reply, you pointed to the purpose of the provisions in the relevant ordinance ensuring a level playing field between the banks and persons licensed by the SFC. The big question posed by the recent situation is, in all the circumstances, has that been achieved?

Yours sincerely



Margaret Ng

c.c. Mr. John Tsang, Financial Secretary
c.c. Mr. Martin Wheatley, Chief Executive Officer, Securities and Futures Commission