

28 November 2008

Mr. K.C.Chan, SBS, JP
Secretary for Financial Services & the Treasury
8th Floor, West Wing, Central Government Offices,
Hong Kong

Dear Mr. Chan,

In early October, the Financial Secretary called upon distributor banks of Lehman Brothers minibonds to buy them back at their estimated value in order to avoid the need for investors to go through the long and tedious liquidation process. On October 17, you publicly welcomed the Hong Kong Association of Banks' acceptance of the Government's buy-back proposal. It now appears that the task force of the Association is reneging upon that acceptance on the alleged basis that US bankruptcy laws are an obstacle.

Meanwhile, the Monetary Authority (HKMA) has up to 28 November 2008 received 19,082 complaints concerning Lehman Brothers related products and has referred 186 of them to the SFC for further action against nine banks. In addition to the cases referred to the SFC so far, the HKMA has opened investigations into 2,602 of those complaints and is seeking further information on 7,237. Only 53 complaints have been found to lack sufficient prima facie evidence to support further action. It is therefore clear that it will take a considerable time for the HKMA to handle the total number of complaints received so far.

Against this background, we call upon you to clarify with the Hong Kong Association of Banks to state clearly what US bankruptcy laws prevent the distributor banks from implementing the buy-back proposal which they accepted. So far as we are aware (and while we do not claim to have any expertise in US bankruptcy law), nothing prevents any distributor bank making an immediate offer to any minibond investor to assume whatever rights the minibond investor has upon payment of a sum agreed between the bank and the investor concerned and upon the basis that in the event of a greater sum being eventually realised, the balance be paid to the investor or upon such other terms as the bank and investor concerned may agree.

In the event that US laws prevent the original proposal put forward by the Government from being implemented, we urge you to put forward an alternative proposal to alleviate the plight of the many investors who are suffering hardship and cannot afford to wait a few years for the liquidation process to be completed

Yours sincerely

Audrey Eu