



11th October 2008

Mr. Donald Tsang
The Chief Executive of the HKSAR
Chief Executive's Office
5/F, Main Wing, Central Government Offices
Lower Albert Road
Hong Kong

Dear Chief Executive,

Lehman Brothers related products

In the last few weeks I have met many bank customers who have almost their entire savings tied up in products related to Lehman Brothers. They include cleaners who worked hard and lived frugally to save a few hundred a month, divorcee with young children and suffering from depression, retired couples dependent on interest payments now suspended. With the collapse of the Lehman Brothers, and the evaporation of their life savings, they are getting more desperate by the day. Their common complaint is why these high risk products were allowed to be described as "bonds" and sold over the bank counters as something equivalent to fixed deposits. Their common question is why, as the Chief Executive, you have so far not said anything on this issue.

I am of course fully aware of the steps taken by the regulatory authorities and the banks. However such steps are unlikely to resolve the crisis and restore the confidence in the banks and the regulatory authorities. The widespread complaints show that there has been a systemic failure. The Legislative Council will of course do its best to look into such failures and recommend improvements but this is not going to help the individual complainants seeking redress or compensation. The current buy back proposal based on the valuation of the collaterals only covers some of the cases and even in those cases, it is uncertain how much can be recovered. Hence there will still be a large body of complainants waiting anxiously for solution and growing increasingly agitated day by day. On the other hand there is also a body of public opinion that these people are merely pretending to have been deceived by the banks. Such opposing views are divisive. It is incumbent upon the government to come up with mutually acceptable solutions as soon as possible

I write to urge you to take the opportunity of the coming policy address or the Legislative Council question and answer session next week to propose suitable measures. It is unlikely that there will be overall settlement that pleases everyone. Many of these complainants are fact sensitive. However it is too costly and clearly unaffordable to require all these complainants to have their cases litigated in the courts.





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The government may consider providing extra resources to the Consumer Council, in particular its Consumer Legal Action Fund who can provide mediation or legal assistance to these complainants. Alternatively, the government may appoint and provide funding for a panel of arbitrators who can provide independent open and fair arbitration services to help those banks and customers who are willing to use such services to settle their disputes.

I sincerely hope you will act quickly and resolutely to resolve the present crisis before it gets out of hand.

Yours sincerely

Audrey Eu

cc. Mr. John Tsang, JP
Financial Secretary

Mr. Joseph Yam, GBS, JP
Chief Executive
HK Monetary Authority

Mr. K.C. Chan, SBS, JP
Secretary for Financial Services & the Treasury

Mr. Martin Wheatley
Chief Executive Officer
Securities and Futures Commission

Prof. The Hon. Anthony Cheung, BBS, JP
Chairman
Consumer Council

