



The Hon Audrey Eu
Legislative Council Member
Room 601, Citibank Tower
3 Garden Road Central
Hong Kong

Dear Ms Eu,

Lehman Brothers related products

Thank you for your letter dated 11 October to the Chief Executive. I am authorized to reply on his behalf.

The Government recognizes that some members of the public may have suffered losses owing to alleged mis-selling of Lehman Brothers mini-bonds by some banks. The Chief Executive is sympathetic to them, and wishes to see that the matter be resolved satisfactorily as early as possible.

To this end, the Government is taking the following measures -

- (a) The Financial Secretary has proposed to the relevant banks to offer to buy back the Lehman Brothers mini-bonds that they have sold to their retail customers based on their estimated value, so as to help those customers to get back the present value of their investment as early as possible. We have asked the banks to respond to this proposal within this week without further delay.
- (b) The regulatory authorities are investigating complaints against mis-selling by the banks. The Hong Kong Monetary Authority (HKMA) will complete investigation of the initial batch of cases within this week.

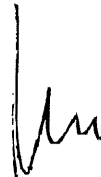
中華人民共和國香港特別行政區行政長官辦公室

Office of the Chief Executive of the Hong Kong Special Administrative Region of the People's Republic of China

香港禮賓府 電話: +852 2878 3300 傳真: +852 2509 0580 電郵: ceo@ceo.gov.hk
Government House, Hong Kong Telephone: +852 2878 3300 Fax: +852 2509 0580 E-mail: ceo@ceo.gov.hk

- (c) Once the HKMA finds that a case of mis-selling is clearly substantiated, the bank concerned should quickly proceed to discuss with the affected customer on settlement of the case.
- (d) The HKMA will appoint an independent party to set up a mediation service, which will be available to the bank and the affected customers in (c) above if the two sides cannot reach a settlement on compensation on their own.
- (e) The Consumer Council is working on complaints received which may involve undesirable practices in the sale of the mini-bonds. The Council is identifying a number of meritorious cases which clearly involve mis-selling, for the Consumer Legal Action Fund to consider providing assistance to the complaints' concern to initiate legal action. The Government will inject additional funding to the Fund as the need arises.

Yours sincerely,



(Kenneth Mak)

Private Secretary to Chief Executive

c.c. 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