

60 investors get HK\$30m from banks on minibonds

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Joyce Man

More than 60 investors in Lehman derivatives have received HK\$30 million in compensation with help from the Democratic Party.

The settlements, involving 14 banks, came as a Legislative Council subcommittee that was formed to look into the saga said it would invoke its powers to call witnesses.

"The range of compensation is very wide," party member and district councillor Andrew Fung Wai-kwong said yesterday. "Some of them received full refunds and some even with the interest accrued."

The party would not disclose the average percentage of the principals the investors received, but chairman Albert Ho Chun-yan said it was high.

Bank of China (Hong Kong) reached 11 agreements, the largest number. DBS and Nanyang Commercial Bank followed with 10 and nine, respectively.

The other banks were Shanghai Commercial, Dah Sing, Citic Ka Wah, Wing Hang, Wing Lung, Bank of Communications, Citibank, Chong Hing, Fubon, Standard Chartered and Chiyu.

The city's investors lost billions of dollars on minibonds guaranteed by Lehman Brothers when the US investment bank went bankrupt in September. Minibonds consist of high-risk, credit-linked derivatives marketed as a proxy investment in well-known companies.

Party member and legislator Kam Nai-wai expressed dissatisfaction that the resolved cases represented fewer than 1 per cent of the total 7,000 requests – with losses totalling

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HK\$4 billion – it received for help. "Resolutions are going at a snail's pace and the Monetary Authority is also moving at a snail's pace," he said.

Most of the investors were elderly, less educated, had little investment experience and had invested considerable amounts of their savings.

"The banks have told me they will also consider a compassionate factor," Mr Kam said, citing single parents or people who needed to pay for their children's education or family medical bills.

Mr Ho said he had no doubt the cases were resolved because the banks knew they had broken sales guidelines.

"All had regulation violations," he said, adding that in some cases, bank representatives who were not licensed to sell the derivatives explained the investments to clients, and a licensed salesman simply signed the sales documents.

The Legco panel involved decided yesterday to call all its witnesses, as allowed by the law.

It may either compel them to give testimony or invite them on a voluntary basis.

But a legal adviser present said that if a witness declined to provide certain evidence at a subcommittee meeting open to the public, only the panel's chairman and deputy chairman would have access to the material to decide whether the panel could examine it.