

Monetary Authority of Singapore
10 Shenton Way MAS Building
Singapore 079117

PETITION FROM MINI-BOND HOLDERS

1. We are a group of very concerned investors who have bought into different series of mini-bonds issued by Lehman Brothers. Most of us are conservative investors who want to place our hard-earned money into safe products that yield a slightly higher interest rate than Fixed Deposits. Some of us have placed a large part of our retirement savings into the mini bond.

2. There is a general consensus among us that there is misrepresentation in the marketing of the product. The marketing materials and the pricing statements prominently highlighted that the product is credit-linked to 5 or 6 Reference Entities (RE) and that a credit event occurs only upon a default of any of the REs. So much was made of the risks linked to these REs, so we were led to think that these are the only risks we are exposed to but the risk of the bankruptcy of the Arranger (Lehman Brothers) was not even highlighted. Nor were the underlying securities explained, although this is a direct and very real risk now faced by investors as their value of these securities determines the amount we will get back in the event of a redemption. We thought we were buying into bonds but we have now found out, only after the bankruptcy of Lehman Brothers that our money was used to buy into collateralised debt obligations (CDOs), complex derivative products that retail investors cannot be expected to fully understand especially when they have not been explained us at the time of purchase. The misrepresentation is contributed by:

- a. The title “mini bond” leads us to think that we are buying into bonds of the REs
- b. The relatively low yield of 4% to 5%. Who would imagine that the product carries high risk with such low yields?
- c. The capital protection of the product if carried to maturity

3. As an **immediate** priority, we petition MAS to take **ALL** actions to protect our investment, including:

- a. Lobbying Nomura Bank which has bought over the Asian operations of Lehman Brothers to take over the mini-bond as a pre-condition for granting Nomura Bank the license to operate in Singapore.
- b. To also explore negotiations with all other interested parties to take over the mini bond so that it has a chance to run on till maturity and we could get our capital back, or at least to redeem only when market conditions improve.

Action by HK MAS

The Hong Kong Monetary Authority (HKMA) this morning (Monday) convened a meeting between representatives of investors who had purchased investment products related to Lehman Brothers and representatives of banks that had sold Lehman-related products and the trustees who are holding the collateral for the investments. The aim of the meeting was to facilitate communication between affected investors, the banks, the trustees and the HKMA.

At the request of the HKMA, a number of banks have now opened public telephone enquiry lines dedicated to answering questions on Lehman-Brothers-related investment products sold by them. The details of these enquiry lines may be found at the HKMA website <http://www.hkma.gov.hk>. In addition, the HKMA has asked banks to write to affected customers to explain clearly the latest situation with regard to these Lehman products. Banks have also been requested to arrange briefings for customers.

The HKMA has opened a hotline to assist any individual investors who might have complaints in relation to the sale by banks of investment products related to Lehman Brothers. The number of the hotline is 8100 2314. The hotline will be open from 9 a.m. to 6 p.m. daily from Monday to Friday, with effect from tomorrow (Tuesday). A form for complaints in writing is also available on the HKMA website.

An HKMA spokesperson said that the HKMA requires banks to comply with the Code of Conduct for Persons Licensed by and Registered with the Securities and Futures Commission in selling securities and futures products. The Code requires intermediaries to explain to the clients the products and the risks involved.

“In selling structured investment products, banks are required to comply with relevant regulations and have adequate internal controls to ensure that the suitability of products for customers is properly assessed and that there is adequate disclosure of major features and risks,” the spokesperson said. “Banks are also required to assure themselves that customers understand the nature and risks of the products and have sufficient net worth to assume the risks and bear the potential losses of trading in the products,” the spokesperson added.

The HKMA has established procedures for handling complaints relating to possible breaches of the Code of Conduct. The HKMA will follow up any case where relevant requirements are found to have been breached.

For further enquiries, please contact:
Thomas Chan, Senior Manager (Press), at 2878 1480 or
Hing-fung Wong, Manager (Press), at 2878 1802

Hong Kong Monetary Authority
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