

Press release

Govt implements recommendations in Lehman minibonds incident reports

Thursday, January 8, 2009

The Financial Secretary has requested the Secretary for Financial Services and the Treasury to conduct an immediate review to improve the regulatory structure and enhance investor protection as soon as possible.

This followed the receipt of the two reports examining the Lehman Brothers minibonds incident prepared by the Hong Kong Monetary Authority (HKMA) and the Securities and Futures Commission (SFC).

The reports were uploaded today (January 8) onto the websites of the Financial Services and the Treasury Bureau, the HKMA and the SFC for public inspection. Copies were also submitted to the Legislative Council Subcommittee to Study Issues Arising from Lehman Brothers-related Minibonds and Structured Financial Products.

"We agree in principle to make public the contents of the reports prepared by the HKMA and the SFC," the Financial Secretary, Mr John C Tsang, said today.

"However, the two regulatory bodies have indicated to us that according to legal advice they have received, making public all the contents of the report might prejudice the investigation and enforcement work that is under way. To avoid any legal implications and not to prejudice investigations, parts of the reports have to be kept confidential temporarily."

Mr Tsang promised that upon completion of the investigation and enforcement work, the temporarily confidential contents of the reports will be made public immediately.

"We will firstly focus on administrative measures to improve the existing regulation and better protect investors, such as revising administrative guidelines or codes on vetting, sale and information disclosure of financial products where necessary.

"Later we will carry out a structural review that may be required for improving the regulatory structure and protecting investors as well as other measures that need to be implemented through legislation or legislative amendment.

“Our aim is to implement as soon as possible measures that are suitable for Hong Kong, responsive to the aspirations of the relevant sectors and also in line with the financial development strategy and long-term interest of Hong Kong.”

Mr Tsang stressed that the Government was open to ways of improving the existing regulatory system and enhancing investor protection.

“During the period under review, we will fully listen to the views of various sectors of the community, including members of the public and those of the Legislative Council Subcommittee to Study Issues Arising from Lehman Brothers-related Minibonds and Structured Financial Products.

“At the same time, we need to consider all relevant factors, such as the unique background and market needs of Hong Kong, the global trend of financial development, recommendations from international financial institutions (including G20 and the Financial Stability Forum), and reports submitted by the HKMA and the SFC,” Mr Tsang said.

He pointed out that Hong Kong needed to seek a balance between proper regulation and financial innovation to move with the times and to maintain its status as an international financial centre.

The reports were prepared by the HKMA and the SFC at the request of the Financial Secretary after the Lehman Brothers minibonds incident last September.

Members of the public may visit the websites, www.fstb.gov.hk/fsb or www.fstb.gov.hk/eng/sfst/fstb.html, for relevant contents of the two reports (only English versions are available for the time being).

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