

## Enforcement News

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17 September 2008

### **SFC clarifies issues on Lehman Minibonds**

The Securities and Futures Commission (SFC) tonight clarified issues on Lehman Minibonds in response to enquiries.

Retail investors who have invested in Lehman Minibonds should be aware that the separately kept collateral and the swap arrangements that back the notes are subject to security in favour of the trustee, who is required to act in the best interests of the investors.

The amount retail investors will recover depends upon a number of factors, including the nature and value of the collateral, the amount due under the swap arrangements and the costs, fees and expenses of selling the collateral in the market, the SFC explained. It added that the trustee would take some time to determine the early redemption amounts payable to Lehman Minibonds retail investors.

In addition, as stated in the Minibonds prospectuses, it is possible for investors to receive an early redemption amount for each series of the Minibonds that is less, and could be substantially less, than their original investment amount. It is also stated in the prospectuses that in order for investors to assert their rights under the notes or to communicate with the trustee, they will need to rely on their distributors to take actions on their behalf or to verify their interests in the notes.

To assist retail investors in better understanding the current status of Minibonds, the SFC has requested Lehman Brothers to provide distributors with a list of standard Q&As and has contacted the trustee for the Minibonds to ascertain what their next steps are. The SFC said it would continue to monitor the situation closely.

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