

SFC, HKMA and The Royal Bank of Scotland N.V. reach agreement on Lehman Brothers-related equity-linked notes sold to professional investors

4 Dec 2013

The Securities and Futures Commission (SFC) and the Hong Kong Monetary Authority (HKMA) announced today that an agreement has been reached with The Royal Bank of Scotland N.V., formerly known as ABN AMRO Bank N.V. (the bank), in relation to the sale of Lehman Brothers-related equity-linked notes (LB-ELNs) to professional investors between July 2007 and May 2008 (Notes 1 & 2).

According to the bank's records, a total of 12 professional investors held outstanding LB-ELNs. Nine of these professional investors would have otherwise been eligible for a repurchase offer under the repurchase scheme of 18 July 2013 if they had not been classified as professional investors.

Following the repurchase scheme announced on 18 July 2013 in relation to LB-ELNs sold by the bank to retail clients, the bank has, without admitting any liability and with a view to bringing a satisfactory conclusion for eligible professional investors, made repurchase offers to eligible professional investors at 100% of the principal value of each eligible professional investor's investment in the LB-ELNs, the same way as eligible customers participating in the repurchase scheme for retail clients (Notes 3 & 4).

In view of this, the SFC will not impose disciplinary sanctions against it and its current or former officers or employees in relation to the sale of LB-ELNs to professional investors, save for any acts of dishonesty, fraud, deception or conduct that is criminal in nature. The bank will review complaints lodged by professional investors who are not eligible for the repurchase offer under its enhanced complaint handling procedures.

The HKMA has also informed the bank that it does not intend to take any enforcement action against the bank's executive officers and relevant individuals in connection with the sale of LB-ELNs to professional investors who have accepted the repurchase offers, except for any acts of dishonesty, fraud, deception or conduct that is criminal in nature.

End

Notes:

1. The bank is a registered institution under the Securities and Futures Ordinance (SFO) to carry on business in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities.
2. Professional investors are the customers who: fall under paragraphs (a) to (i) of the definition of professional investor in Part 1 of Schedule 1 to the SFO; or fall under section 3 of the Securities and Futures (Professional Investor) Rules and classified by the bank and agreed by the customers to be treated as such in accordance with paragraphs 15.3 and 15.4 of the Code of Conduct for Persons Licensed by and Registered with the Securities and Futures Commission at the time they purchased the relevant LB-ELNs.
3. Please see the SFC's press release dated [18 July 2013](#) concerning the repurchase scheme in respect of retail clients.
4. Eligible professional investors are professional investors holding outstanding LB-ELNs that were purchased from the bank and who were assessed, by the bank's risk profiling questionnaire based on their answers on the bank's records at the material time, to have a risk tolerance level more conservative than the risk rating assigned by the bank to the relevant LB-ELN(s).

Page last updated : 4 Dec 2013