

RIGHTING THE MIS-SELLING

Brokers in talks on Lehman crisis

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BROKERS who sold disastrous Lehman-linked structured investments have been meeting, and the Singapore investors who bought them can expect to know their fate soon, TODAY has been told.

Mr Lim Eng Hai, chief executive of Securities Association of Singapore (SAS), said representatives from the brokerages gathered for a discussion yesterday and more details will emerge today.

The six brokerages that sold the structured notes linked to Lehman Brothers have so far not made any public statements since DBS, Hong Leong Finance and Maybank said on Wednesday that they would compensate some of their customers.

Broking houses Phillip Securities and Kim Eng Securities did not reply to queries by press time, while DMG & Partners, CIMB-GK, OCBC Securities and UOB Kay-Hian declined comment.

Almost 10,000 investors here are affected by the collapse of Lehman Brothers on Sept 15. Many have since alleged that they were mis-sold the Mini-Bonds, Merrill Lynch Jubilee Series 3 or DBS High Notes 5, and have signed various petitions calling for action.

ABN Amro, which also sold the products, yesterday said it does not "rule out compensation as an appropriate remedy".

The bank said it has been working to handle client complaints and document details of the transaction and sales process. "We aim to present clients with the results of the review within four weeks of the meeting. Should there be proven cases of mis-representation, we will take appropriate responsibility," said an ABN Amro spokesperson.

DBS yesterday said it was in the midst of contacting investors it would be compensating. "We have found that a number of cases did not meet the standards DBS upholds

— that is if the product sold is inconsistent with a customer's risk tolerance as captured by the Financial Needs Analysis, or if the customer is clearly unsuitable for the product," a spokesperson said.

"We assess the latter by looking at a customer's investment experience, amount of liquid assets, income level, literacy and age. In cases like this, DBS will not hesitate to take responsibility and make cash compensation, which could be partial or in full."

Investors in the Mini-bond programme may also be offered the option of keeping the bonds until the original maturity date.

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An ABN Amro spokesperson, announcing the bank's plan to review sales processes and customer complaints

HSBC Institutional Trust Services (Singapore) said it has received two proposals to restructure the notes so that they can run until maturity. One option previously considered by the trustee was have a new institution replace Lehman as the swap counterparty.

As the swap counterparty, Lehman Brothers received a stream of cash flows from the underlying assets behind the Mini-Bonds, explained Associate Professor Annie Koh, Dean of Executive & Professional Education, at the Singapore Management University.

Lehman then packaged the notes in the Mini-Bond to sell to investors via the distributors. These notes pay the investors a fixed interest that is lower than that which Lehman receives from the underlying assets.

However, in the present market state, the underlying assets may not pay out as much as before. Any counterparty that takes over from Lehman would take this into consideration, said Prof Koh.