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19 September 2008

SFC reminds regulated persons to meet obligations to investors

In a circular issued today, the Securities and Futures Commission (SFC) reminded all regulated persons (Note 1) involved in distributing retail structured and credit-linked notes to play a more proactive role in addressing investor concerns.

Regulated persons were advised that they could expect to receive enquiries and complaints from their clients under current market conditions and that they should deal with these in the best interest of their clients. In particular, the circular said, regulated persons should ensure that their systems for handling complaints were in order so they could comply with the SFC's Code of Conduct to:

- handle complaints in a timely and appropriate manner;
- take steps to investigate and respond promptly to complaints; and
- where a complaint is not remedied promptly, give the client advice on further steps that can be taken.

“Regulated persons must provide assistance to their clients with enquiries and complaints and explain the nature and characteristics of the investments that they sell,” said the SFC's Chief Executive Officer Mr Martin Wheatley. “This is particularly important, given the current market uncertainty when many investors have queries about the products that they had bought.”

Mr Wheatley added that the SFC “will monitor the performance of regulated firms to ensure this requirement is met.”

The circular also reminded regulated persons that in the event of a credit crisis or default resulting in early redemption, it is their duty to pass on the information to investors. In light of the filing for bankruptcy protection of the Lehman Brothers Group, regulated persons were urged to approach on behalf of their clients:

- the trustees of retail structured notes offered by the three Lehman-related entities; and

- the arrangers of the credit-linked notes with Lehman Brothers as one of the reference entities.

The [circular](#), which is available on the SFC website, also advised distributors to set up hotlines for LB-related notes.

End

Notes:

1. Regulated persons are licensed corporations and registered institutions.

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