



17 June 2009

Circular to issuers of retail credit-linked notes

This circular is being issued to issuers of retail credit-linked notes (“CLNs”) who are strongly encouraged to continue to make robust risk disclosures that are most relevant to the market conditions at the time of disclosure.

The ongoing market turmoil has highlighted the importance of useful and timely disclosure of risks associated with structured credit products including credit-linked notes that are secured by collateralised debt obligations (“CDOs”).

Despite what may appear to be tentative recovery signs, issuers of CLNs must remain vigilant to market developments, such as corporate failures overseas, which may adversely affect the performance of their notes.

Enhanced and timely disclosures by issuers to distributors of more meaningful and easy-to-understand information about credit risks and how, for instance, overseas corporate failures may affect their notes, are important to restore market confidence and to enable investors to conduct ongoing risk analysis.

Example disclosures include information of any credit downgrade of the underlying reference entities or the collateral and in the case of a CLN that is secured by CDOs, defaults of entities named in the underlying portfolio; the related loss calculations and what the remaining threshold is before the note would be subject to mandatory early redemption.

Please contact the relevant case officers in charge in case of doubt.

**Corporate Finance Division
Securities and Futures Commission**

End