

# SFC Enforcement Actions Trends and Tracker

## SFC Enforcement Trends

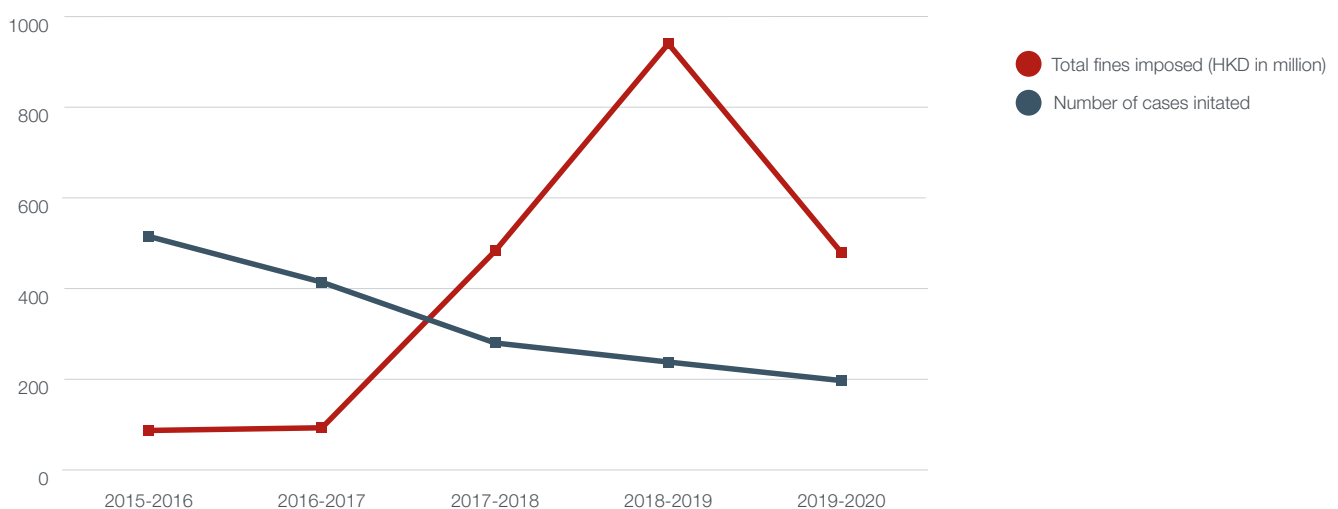
Recent annual and quarterly reports published by Hong Kong's Securities and Futures Commission (the **SFC**) highlight the SFC's regulatory work for the period dated April 2019 to March 2020 (the **2019/2020 Period**), and the period dated April 2020 to 31 December 2020, respectively.

As part of these reports, the SFC has published information on its enforcement actions, in addition to its regular enforcement **news** alerts. A review of the reports and the SFC's enforcement news alerts illustrates some key trends in the SFC's enforcement agenda. These are summarised below.

Our Enforcement Actions Tracker, set out below, provides details of the SFC's enforcement actions from May 2011 where fines of more than HKD1 million have been imposed.

### An increased focus on “high impact” cases and on the value of regulatory enforcement fines

The SFC continues to focus on “high impact” cases and adopts a targeted approach to enforcement. From 2015 to 2019, the total number of actions commenced by the SFC declined, while the value of total fines significantly increased, as illustrated in the following chart<sup>1</sup>. While the total number of actions commenced in the year 2019/2020 continued to decline, the value of total fines imposed decreased to approximately the same level as that in 2017/2018<sup>2</sup>, although that was still high compared to the figures in 2016/2017. The value of total fines imposed in 2018/2019 was arguably exceptional because of the disciplinary actions against several sponsor firms and sponsor principals<sup>3</sup>.



Specifically within the 2019/2020 Period, the SFC disciplined 20 corporations and 24 individuals, with the combined value

<sup>1</sup> Sources: Annual Reports of the SFC from 2015/2016 to 2019/2020.

<sup>2</sup> The biggest fine imposed by the SFC in 2017/2018 was HKD400m against a bank for material systemic failures in the sale of structured products in the run-up to the global financial crisis in 2008.

<sup>3</sup> The SFC imposed total fines of approximately HKD72m in 2018/2019, which are not related to sponsors' activities. This is 23% lower than the total fines imposed in 2016/2017.

of fines levied amounting to HKD479m. Of that sum, HKD400m was a result of the SFC's disciplinary action against a single financial institution in respect of its serious internal control deficiencies, which led to it overcharging its clients through post-trade spread increases and excess charges over a ten-year period.

In Q2 2020, the SFC disciplined eight licensed corporations and two individuals, resulting in total fines of HKD67.5m. Five licensed corporations were reprimanded and fined HKD63.2m in total for internal control deficiencies.

In Q3 2020, the SFC disciplined two licensed corporations and seven individuals, resulting in total fines of HKD6.7m. One licensed corporation was reprimanded and fined HKD4.2m for failure to segregate client securities from proprietary securities, while the other was reprimanded and fined HKD2.5m for pledging clients' securities to banks without valid authorisation from the clients.

In Q4 2020, the SFC disciplined three licensed corporations and three individuals, resulting in total fines of approximately HKD2.72 billion for internal control deficiencies. This is largely as a result of the SFC's reprimand and fine against a financial institution for USD350m (HKD2.71bn) in October 2020 for serious lapses and deficiencies in its management supervisory, risk, compliance and anti-money laundering controls in 1MDB's bond offerings. This is the largest fine imposed by the SFC to date.

More recently, in October 2020, the SFC reprimanded and fined a financial institution USD350m (HKD2.71bn) for serious lapses and deficiencies in its management supervisory, risk, compliance and anti-money laundering controls in 1MDB's bond offerings. This is the largest amount of fine imposed by the SFC to date.

## New fine guidelines

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The evident increase in enforcement fines follows the new **disciplinary fining guidelines** introduced in August 2018. According to the Securities and Futures Ordinance (**SFO**), where a regulated person is guilty of "misconduct" or is not fit and proper, the SFC may impose a fine up to the maximum of HKD10m or three times the profit gained or loss avoided as a result of the misconduct, whichever is greater. The Guidelines clarify that for this purpose "misconduct" may consist of a number of culpable acts or omissions. Accordingly, even if they are of the same generic nature, they may attract multiple penalties. The SFC may use the number of persons affected by the misconduct as the multiplier in assessing the appropriate level of pecuniary penalty.

## Increased intervention in IPO applications

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During the 2019/2020 Period, the SFC received 303 listing applications (a 23.1% decrease from 394 in 2018/2019) via the Stock Exchange of Hong Kong. The SFC directly intervened in 35 initial public offering applications (a 106% increase from 17 in 2018/2019), where it was aware of potentially serious disclosure or public interest issues, using its regulatory powers under the Securities and Futures (Stock Market Listing) Rules.

## Internal control deficiencies remain one of the SFC's main areas of enforcement

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Out of the 44 disciplinary actions in the 2019/2020 Period, eight relate to internal control deficiencies. Moreover, during Q4 2020, all fines imposed by the SFC were issued in respect of internal control deficiencies.

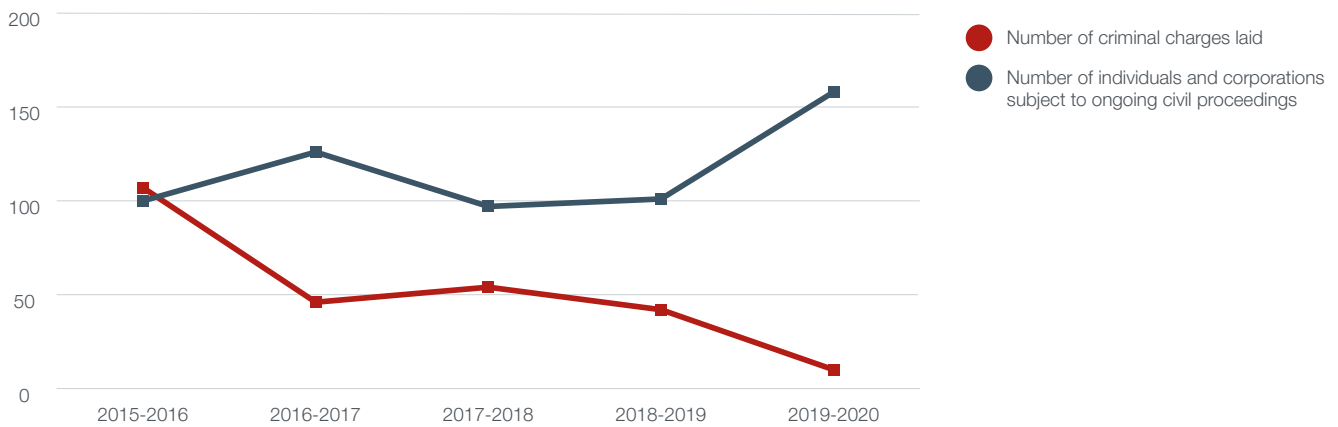
Apart from the fine relating to 1MDB's bond offerings, the enforcement actions in Q4 2020 concerned, among other things, internal control failures in connection with short selling and electronic trading systems. In particular, a licensed corporation was fined HKD3.6m for internal control failures relating to the detection and prevention of short selling and late reporting.

This serves as a timely reminder. Although there remains a greater focus on "high impact" cases, internal control deficiencies are still on the SFC's radar. Licensed corporations, registered institutions and individuals should be diligent in this respect, particularly so given the challenges to the operating environments arising from Covid-19.

Intermediaries should note that the SFC has published various circulars in light of the Covid-19 pandemic. Among other things, the SFC has reminded licensed and registered persons of their obligations when distributing investment products, including the suitability obligation when making a solicitation or recommendation to clients, of the need to remain focused on internal controls to ensure financial and operational resilience, and of order recording obligations. Recent disruption to normal operations may be fertile ground for enforcement action moving forward.

## Civil action versus criminal prosecution

The SFC can pursue enforcement action by way of criminal prosecution as well as civil, disciplinary and market misconduct proceedings. However, in recent years, the SFC has used its extensive civil enforcement measures. The number of individuals and corporations subject to ongoing civil proceedings and the number of criminal charges laid are set out in the chart<sup>4</sup> below:



## Management responsibility

For many years, regulators across the globe have been extolling the importance of proper culture and senior management accountability for financial institutions. In APAC, the SFC arguably led the charge with the introduction of its Manager In Charge regime in 2017.

The SFC's focus on senior management accountability remains clear. In June 2020, the SFC banned a former responsible officer (**RO**) from re-entering the industry for 12 months as a result of not taking any steps to rectify the licensed corporation's internal control deficiencies, to escalate the relevant breach to other members of the senior management, or to ensure the licensed corporation's staff adhered to its internal compliance manual. The SFC considered that the RO's conduct fell short of the standard required of an RO. In September 2020, the Securities and Futures Appeals Tribunal affirmed the SFC's decision to ban a former RO from re-entering the industry for five years for failing to discharge his supervisory duties as a sponsor principal in charge of supervising the execution of two listing applications.

The Hong Kong Monetary Authority's (HKMA) [Consultation Paper on the Implementation of the Mandatory Reference Checking Scheme to Address the "Rolling Bad Apples" Phenomenon](#) also serves as a reminder of the priority regulators now place on conduct culture and governance in Hong Kong. The HKMA is expected to issue its consultation conclusions soon.

## Consultation on Proposals to Amend Anti-Money Laundering Guidelines

In September 2020, the SFC launched a consultation on proposals to amend the anti-money laundering and counter-financing of terrorism guidelines to align with international standards and provide guidance to the securities industry on applying these measures in a more risk-sensitive manner. The proposals also address some areas of enhancement identified in the Mutual Evaluation Report of Hong Kong published by the Financial Action Task Force in September 2019.

<sup>4</sup> Sources: Annual Reports of the SFC from 2015/2016 to 2019/2020.

## Statistics in the Q4 2020 quarterly report

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It is the SFC's usual practice to present its enforcement actions statistics by way of a year-over-year comparison. As illustrated below, the SFC has begun to regain its momentum in enforcement actions in Q4 2020 and its level of activities is more comparable with Q4 2019:

- The number of section 179 inquiries (section 179 of the SFO gives the SFC the power to compel the production of records and documents from persons related to a listed company in relation to fraud or other misconduct) commenced increased by 11.5%.
- The number of section 182 (Section 182 of the SFO empowers the SFC to investigate offences including market misconduct, fraud, misfeasance and disciplinary misconduct) directions issued decreased by 7.3%.
- There was a 4.4% decrease in the number of investigations started by the SFC.
- There was a 9.7% increase in the number of investigations completed by the SFC.
- There was a 2.6% decrease in the number of on-site inspections of licensed corporations conducted by the SFC to review their compliance with regulatory requirements.
- There was a 30.8% decrease in the number of notices of proposed disciplinary action.

Nevertheless, it is too early to draw any substantive conclusions as to trends arising from this comparison bearing in mind the Covid-19 pandemic.

## Conclusion

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The SFC continues to focus its enforcement team on cases that have the potential to harm investors and cause serious reputational damage to Hong Kong. This is a trend that will continue. Notably, the SFC recently imposed its largest fine to date. That said, intermediaries must not get complacent regarding smaller breaches as the SFC continues to pursue action in relation to internal control deficiencies. In the current environment, with numerous issues arising from Covid-19, it is important that intermediaries ensure strict compliance with regulations in order to prevent misconduct or failure to observe internal controls. In addition, the SFC is likely to continue to take steps to protect investors despite the Covid-19 pandemic.

It is worth noting that following the global financial crisis in 2008, the SFC **commented** that in order to strengthen financial regulation, it would closely monitor systemic risks, extend regulatory oversight to unregulated institutions, markets and instructions, and share information among regulators. Intermediaries can expect the SFC to take the same steps moving forward.

# SFC Enforcement Actions Tracker

Showing SFC enforcement actions which resulted in fines of HKD1m or more as at 1 March 2021.

DATE	PARTY SANCTIONED	CATEGORY	SANCTION	NATURE OF BREACHES/ OTHER INFORMATION	LINK TO REPORT
22-Feb-21	Brilliance Asset Management Limited	Failure to report. Regulatory breach.	HKD3.15m fine; reprimand	The SFC has reprimanded Brilliance Asset Management Limited and fined it HKD3.15m over failures to ensure short position reports for four collective investment schemes (CISs) under its management were accurate and compliant with the requirements under the Securities and Futures (Short Position Reporting) Rules. The SFC's investigation found that a total of 7,814 short positions held respectively by these CISs were either misstated or omitted in the reports to the SFC between 8 July 2016 and 30 August 2019.	<a href="#">Click here</a>
23-Dec-20	Fulbright Securities Limited	Breach of Code of Conduct. Internal control failure.	HKD3.6m fine	The SFC has reprimanded Fulbright Securities Limited ( <b>Fulbright</b> ) and fined it HKD3.6m for internal control failures relating to short selling and for failing to report related short selling incidents to the SFC in a timely manner as required by the SFC's Code of Conduct.  The SFC's investigation found that between October 2015 and March 2016, there were at least 93 instances of short sales executed by Fulbright which resulted from its failure to put in place effective internal control procedures to detect and prevent illegal short selling.	<a href="#">Click here</a>
09-Nov-20	Credit Suisse Securities (Hong Kong) Limited	Breach of Code of Conduct. Internal control failure.	HKD2.1m fine; reprimand	The SFC has reprimanded Credit Suisse Securities (Hong Kong) Limited (CSSHK) and fined it HKD2.1m for regulatory breaches related to failures in its electronic trading systems.  The SFC found that CSSHK submitted erroneous market making quotes to the market, resulting in the execution of stock options trades at prices that deviated from the then prevailing market prices. This was caused by a logic error in the symbol mapping programme used by CSSHK, in its capacity as a stock options market maker, in generating market making quotes.  The SFC is of the view that CSSHK's internal controls and regular tests in place at the time failed to prevent or promptly detect the incident, and these failures constitute breaches of electronic trading requirements under the Code of Conduct.	<a href="#">Click here</a>

DATE	PARTY SANCTIONED	CATEGORY	SANCTION	NATURE OF BREACHES/ OTHER INFORMATION	LINK TO REPORT
22-Oct-20	Goldman Sachs (Asia) L.L.C.	AML. Internal control failure.	USD350m (HKD2.71bn) fine; reprimand	<p>The SFC has reprimanded and fined Goldman Sachs (Asia) L.L.C. (<b>Goldman Sachs Asia</b>) USD350m (HKD2.71bn) for serious lapses and deficiencies in its management supervisory, risk, compliance and anti-money laundering controls that contributed to the misappropriation of USD2.6bn from USD6.5bn that 1Malaysia Development Berhad (<b>1MDB</b>) raised in three bond offerings in 2012 and 2013.</p> <p>The SFC considers that Goldman Sachs Asia lacked adequate controls in place to monitor staff and detect misconduct in its day-to-day operation, and allowed the 1MDB bond offerings to proceed when numerous red flags surrounding the offerings had not been properly scrutinised and satisfactory answers to such red flags had not been obtained.</p> <p>In particular, the SFC considers that Goldman Sachs Asia had failed to:</p> <ol style="list-style-type: none"> <li>(1) supervise diligently its senior personnel who were involved in the execution of the bond offerings and to ensure that they maintained appropriate standards of conduct;</li> <li>(2) identify and adequately address money laundering and bribery concerns when there were numerous red flags;</li> <li>(3) exercise due skill, care and diligence, and act in the best interest of its clients and the integrity of the market when vetting and approving the bond offerings; and</li> <li>(4) put in place adequate and effective internal control procedures to protect its clients from financial losses arising from frauds and other dishonest acts or professional misconduct.</li> </ol>	<a href="#">Click here</a>
16-Oct-20	CMBC Capital Holdings Limited - former Chief Executive Officer and Company Secretary, Mr Philip Suen Yick Lun, and former chairman, Mr Paul Suen Cho Hung	Failure to disclose.	HKD2.1m fine in total (HKD1.2m for Philip Suen; HKD900k for Paul Suen); 15-month disqualification order for Philip Suen	<p>The Market Misconduct Tribunal (<b>MMT</b>) has found that CMBC Capital Holdings Limited (<b>CMBC Capital</b>) and six of its former directors failed to disclose inside information as soon as reasonably practicable under the Securities and Futures Ordinance and imposed a 15-month disqualification order against CMBC Capital's former Chief Executive Officer and Company Secretary Mr Philip Suen Yick Lun. Philip Suen and CMBC Capital's former chairman Mr Paul Suen Cho Hung were also fined HKD1.2m and HKD900,000, respectively by the MMT.</p> <p>Philip Suen and Paul Suen also admitted that their negligent conduct had resulted in CMBC Capital's breach of the requirements of the corporate disclosure regime.</p>	<a href="#">Click here</a>
29-Sep-20	China Everbright Securities (HK) Limited	Breach of Code of Conduct. Regulatory breaches.	HKD2.5m fine; reprimand	<p>The SFC has reprimanded China Everbright Securities (HK) Limited (CESHK) and fined it HKD2.5m for pledging its clients' securities with banks for financial accommodation without valid authorisation. The SFC found that between 1 April 2018 and 19 August 2018, CESHK relied on expired standing authority given by around 6,841 clients to pledge their securities as collateral in obtaining credit line from three banks in Hong Kong.</p>	<a href="#">Click here</a>
17-Sep-20	The Bank of East Asia, Limited	Client securities. Breach of Code of Conduct. Regulatory breaches.	HKD4.2m fine; reprimand	<p>The SFC has reprimanded The Bank of East Asia, Limited and fined it HKD4.2m for regulatory breaches related to its failure to segregate client securities from proprietary securities in accounts maintained by at two external custodians.</p>	<a href="#">Click here</a>

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22-Jun-20	Guotai Junan Securities (Hong Kong) Limited	AML. Internal control failure.	HKD25.2m fine; reprimand	The SFC has reprimanded and fined Guotai Junan Securities (Hong Kong) Limited HKD25.2m for multiple internal control failures and regulatory breaches in connection with anti-money laundering, handling of third party fund transfers and placing activities, as well as detection of wash trades and late reporting.	<a href="#">Click here</a>
19-May-20	Convoy Asset Management Limited	Internal control failure. Mis-selling.	HKD6.4m fine; reprimand	The SFC reprimanded and fined Convoy Asset Management Limited ( <b>CAML</b> ) HKD6.4m for control failures in solicitation and recommendation of bonds to clients. The SFC found that CAML referred clients to a third party platform between March 2015 and January 2017 to execute 30 transactions of bonds listed under Chapter 37 of the Main Board Listing Rules ( <b>Chapter 37 Bonds</b> ), some of which involved solicitation or recommendation made to clients. In recommending Chapter 37 Bonds to clients, the SFC found that CAML had failed to implement adequate and effective internal controls and systems in place.	<a href="#">Click here</a>
18-May-20	Southwest Securities (HK) Brokerage Limited	AML. Internal control failure.	HKD5m fine; reprimand	The SFC has reprimanded and fined Southwest Securities (HK) Brokerage Limited ( <b>SSBL</b> ) HKD5m for failures in complying with anti-money laundering and counter-terrorist financing (AML/CFT) regulatory requirements in 2016.  Specifically, the SFC found that SSBL failed to: (i) implement adequate and effective policies and procedures to mitigate the risk of money laundering and terrorist financing associated with third party deposits; and (ii) establish proper internal systems and controls to monitor its clients' activities, and detect and report suspicious transactions to the Joint Financial Intelligence Unit ( <b>JFIU</b> ) in a timely manner.	<a href="#">Click here</a>
07-May-20	Mega International Commercial Bank Co., Ltd.	Internal control failure.	HKD7m fine; reprimand	Following a referral from the HKMA, the SFC conducted an investigation which found that, in the course of selling collective investment schemes ( <b>CISSs</b> ) to clients between August 2014 and July 2015, Mega International Commercial Bank Co., Ltd. had failed to implement adequate and effective systems and controls.	<a href="#">Click here</a>
20-Apr-20	BOCOM International Securities Limited	AML. Breach of Code of Conduct. Breach of Internal Control Guidelines. Internal control failure. Regulatory breaches.	HKD19.6m fine; reprimand	The SFC has reprimanded and fined BOCOM International Securities Limited ( <b>BISL</b> ) a total of HKD19.6m for a range of regulatory breaches, including failures concerning: (i) the handling of third party fund deposits where third party deposits made into client accounts in 2009, 2011 and 2015 by way of cheques and bank transfers were not identified until 2016 and (ii) the maintenance and implementation of a margin lending and margin call policy.  BISL also failed to put in place adequate and effective controls to identify deposits made into client accounts by third parties, hence failing to ensure compliance with the Guideline on Anti-Money Laundering and Counter-Terrorist Financing and various provisions in the Internal Control Guidelines and the Code of Conduct.	<a href="#">Click here</a>

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07-Apr-20	HSBC Investment Funds (Hong Kong) Limited and HSBC Global Asset Management (Hong Kong) Limited	Regulatory breaches.	HKD3.5m fine; reprimand	<p>The SFC's investigation found that some of the 53 funds managed and/or advised by HSBC Investment Funds (Hong Kong) Limited (<b>HIFL</b>) and HSBC Global Asset Management (Hong Kong) Limited (<b>HGAML</b>) between 2010 and 2016 maintained cash deposits with connected entities, namely, The Hongkong and Shanghai Banking Corporation Limited and/or its affiliates. The funds' cash deposits were placed in interest-bearing accounts of the connected entities but mostly did not receive any interest.</p> <p>An independent review revealed that, prior to January 2015, HIFL and HGAML had no procedures in place to ensure that the funds' cash deposited with their connected entities received interest at a rate not lower than the prevailing commercial rate. The review also found that whilst HIFL and HGAML had an established process to monitor the funds' cash balances on a daily basis, such process was not documented in any policies and procedures and was performed for only 10 of the 53 funds.</p>	<a href="#">Click here</a>
14-Feb-20	Capital Global Management Limited	Failure to ensure compliance with applicable laws and regulations in Taiwan.	HKD1.5m fine; reprimand	<p>In August 2015, the Prosecution Office of the Taipei District Court fined the former owners of Capital Global Management Limited (<b>CGML</b>) for the distribution of offshore investment funds and the offer of investment advice in Taiwan from 2005 to 2014 without obtaining prior approval, in contravention of Taiwan's Securities Investment Trust and Consulting Act. Subsequently, SFC's investigation found that licensed representatives operated and performed sales functions and distributed investment products to clients in Taiwan between July 2014 and April 2015.</p> <p>CGML's failures to ensure compliance with applicable laws and regulations in Taiwan and to adequately supervise its representatives have raised the SFC's concern over its fitness and properness as a licensed corporation.</p>	<a href="#">Click here</a>
11-Feb-20	BMI Securities Limited	AML. Internal control failure.	HKD3.7m fine; reprimand	<p>SFC found that BMI Securities Limited failed to: (i) implement adequate internal controls to mitigate the risk of money laundering and terrorist financing associated with suspicious transactions conducted; (ii) identify, and conduct proper enquiries and sufficient scrutiny on, suspicious transactions and consider reporting them to the Joint Financial Intelligence Unit where appropriate; (iii) perform appropriate customer due diligence and keep information up-to-date; and (iv) put in place adequate and effective procedures for the identification of PEPs and the screening of terrorist and sanction designations.</p>	<a href="#">Click here</a>



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14-Jan-20	UBS Securities Hong Kong Limited	Sponsor failures.	N/A	SFC lifted the suspension of UBS Securities Hong Kong Limited to act as a sponsor for listing applications on the Hong Kong Stock Exchange. UBS's licence was suspended on 14 March 2019 for one year for their failures to discharge their obligations as one of the joint sponsors of three listing applications. UBS has engaged and cooperated with an independent reviewer to review its policies, procedures and practices in relation to the conduct of its sponsorship business. The reviewer conducted a ten-month review of UBS's enhanced governance processes from the acceptance of a sponsorship mandate to the listing of a listing applicant. The reviewer also looked at UBS's sponsor work in its two most recent listing applications which were completed in 2017 and 2018 respectively. UBS was found to have implemented the abovementioned controls in the two listing applications and performed adequate and effective due diligence in discharging its sponsor responsibilities as required by the relevant legal and regulatory requirements.	<a href="#">Click here</a>
02-Jan-20	RHB Securities Hong Kong Limited	Conflicts of interest. Internal control failure.	HKD6.4m fine; reprimand	SFC found that RHB Securities Hong Kong Limited failed to effectively implement its policy for avoiding actual and potential conflicts of interest between its research reports and investment banking relationships; adequately disclose its investment banking relationship with the listed company covered in a research report; and effectively monitor the trading activities of its research analysts.	<a href="#">Click here</a>
30-Dec-19	FIL Investment Management (Hong Kong) Limited	Failure to report. Internal control failure. Unlicensed activities.	HKD3.5m fine; reprimand	<p>SFC found that between August 2007 and July 2018, FIMHK executed 6,738 trades in futures contracts for its overseas affiliates with an approximate value of USD40bn without the required licence. FIMHK identified the suspected breach in a review conducted between May and June 2018 but only reported the incident to the SFC in August 2018, after it had obtained external legal advice.</p> <p>SFC also found that FIMHK, when applying to the SFC for a new fund authorisation in March 2017, submitted an incorrect information checklist based on an outdated template.</p> <p>The internal investigation conducted by FIMHK and the reviews performed by an independent reviewer engaged by FIMHK identified certain deficiencies and weaknesses in FIMHK's internal controls and systems.</p>	<a href="#">Click here</a>
23-Dec-19	Adamas Asset Management	Breach of Code of Conduct. Failure to disclose. Internal control failure.	Fine \$2.5m; reprimand	<p>SFC found that between February 2013 and March 2016, Adamas had failed to disclose to The Stock Exchange of Hong Kong Limited (SEHK) and the relevant listed companies all notifiable interests in the shares of these Hong Kong-listed companies in the client portfolios it managed by filing 339 disclosure notices incorrectly or late.</p> <p>Adamas applied to the Securities and Futures Appeals Tribunal for review of the SFC's sanction. Its application was discontinued and an order for costs was granted in favour of the SFC.</p>	<a href="#">Click here</a>

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11-Nov-19	UBS AG	Internal control failure.	HKD400m fine; reprimand	UBS was found to have overcharged its clients over a ten-year period in addition to related serious systemic internal control failures. SFC found that UBS had failed to observe the fundamental and overarching duty to act in its clients' best interests. UBS was also found to have abused the trust of unsuspecting clients by failing to disclose conflicts of interest and overcharging them in opaque trades. SFC considers that these malpractices involved a combination of serious systemic failures for a prolonged period of time including inadequate policies, procedures and system controls, lack of staff training and supervision, and failures of the first and second lines of defence functions of UBS.	<a href="#">Click here</a>
31-Oct-19	China Rise Securities Asset Management Company Limited ( <b>China Rise</b> )	Internal control failure. Regulatory breaches.	HKD6.3m fine; reprimand	<p>SFC found that China Rise's then chief executive officer and responsible officer, Mr Sammy Shiu Kin Keung, placed 199 illegal short selling orders on listed securities for his personal account and a client's discretionary account from January to May 2014 unbeknown to China Rise.</p> <p>China Rise was not aware of the short selling orders placed by Shiu until the Hong Kong Exchange and Clearing Limited made enquiries about some of the transactions. Nevertheless, even after receiving the enquiries, China Rise still failed to detect and prevent further short selling activities in Shiu's account.</p>	<a href="#">Click here</a>
03-Oct-19	SEAVI Advent Ocean Private Equity Limited (SAOPEL)	Breach of Code of Conduct. Internal control failure. Short selling.	HKD1m fine; reprimand	At least 61 instances of regulatory breaches involving short sales executed by 11 traders.	<a href="#">Click here</a>
10-Sep-19	The Hongkong and Shanghai Banking Corporation Limited	Breach of Code of Conduct. Internal control failure.	HKD2.1m fine; reprimand	<p>HSBC has failed to put in place effective internal control procedures to ensure proper implementation of the telephone recording function and timely detection of any telephone recording failures in non-compliance with telephone recording requirements under the Code of Conduct.</p> <p>The case was referred to SFC following an investigation by HKMA.</p>	<a href="#">Click here</a>
15-Aug-19	Sincere Securities Limited	Internal control failure. Regulatory breach.	HKD5m fine; reprimand	Investor complained about the conduct of a former account executive of Sincere Securities Limited (SSL). SFC investigation found that SSL did not require its account executives to obtain a client's written consent before transferring funds maintained at SSL to their gold trading accounts opened with an associated company. SFC requested SSL to engage an independent reviewer to conduct a review of its internal control system and procedures which, together with a separate review by the SFC, found deficiencies across 14 areas of SSL's operations and internal controls.	<a href="#">Click here</a>
15-Jul-19	Glory Sun Securities Limited	Breach of Code of Conduct. Internal control failure.	HKD1.2m fine; reprimand; suspension of Responsible Officer for 6 months	Glory Sun account executive convicted by HK Court for illegal short selling shares on multiple occasions. Glory Sun's Speed Station trading system did not have checks on a client's stock balance and hence could not prevent illegal short selling. Found to be in breach of Code of Conduct.	<a href="#">Click here</a>

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10-Jul-19	Celestial Commodities Limited (CCL); Celestial Securities Limited (CSL)	Client money. Internal control failure. Regulatory breach.	Fines of HKD4.9m and HKD1.4m respectively; reprimand	Regulatory breach by transferring money from client accounts to pay monthly commission rebates to its account executives and making payments in an intra-day fund swap arrangement in order to make various margin calls. Failure to implement proper controls to safeguard client money and supervise staff in handling it.	<a href="#">Click here</a>
25-Jun-19	Health and Happiness International Holdings Ltd, Luo Fei	Failure to disclose.	HKD1.6m fine respectively	MMT decision. Failure to disclose inside information as soon as reasonably practicable arising from a four week delay in the company's disclosure of its financial deterioration compared with the same period in the previous year.	<a href="#">Click here</a>
24-Jun-19	FT Securities Limited	Internal control failure. Regulatory breach.	HKD3.5m fine; reprimand	SFAT affirmed SFC decision to reprimand and fine FTSL for regulatory breaches and internal control failures.  FTSL research reports were prepared and written by two unidentified individuals. FTSL falsely disclosed that it did not provide any investment banking services to a company covered by a research report. FTSL had no formal policies or procedures governing the preparation of research reports. FTSL did not segregate its research and corporate finance functions to avoid conflict. FTSL failed to demonstrate there was a reasonable basis for the analyses and recommendations in the research reports.	<a href="#">Click here</a>
19-Jun-19	Credit Suisse (Hong Kong) Limited (CSHK) and Credit Suisse AG	Failure to disclose. Internal control failure.	HKD2.8m fine; reprimand	Failure to disclose their investment banking relationships with subject companies in certain research reports. Failure to put in place effective systems and controls to ensure compliance with the disclosure requirements and timely detection of the disclosure failures.	<a href="#">Click here</a>
30-May-19	China Merchant Securities	Client money. Internal control failure.	HKD5m fine; reprimand	Regulatory breaches and internal control failings related to the mishandling of client money under the Client Money Rules. Transferred funds from client trust accounts for purposes other than those specifically allowed. Failure to employ fit and proper staff to conduct its business and have proper internal controls and procedures in place to ensure compliance with the Client Money Rules and safeguard client assets.	<a href="#">Click here</a>
27-May-19	China Merchants Securities (HK) Co., Limited	Sponsor failures.	HKD27m fine; reprimand	SFC's investigation revealed that CMS and UBS (which was previously sanctioned on 14 March 2019) had respectively failed in their due diligence as joint sponsors to address a number of unusual facts and findings on China Metal Recycling (Holdings) Limited and its customers during the listing process, including: (i) inadequate due diligence on a de-registered customer; (ii) inadequate due diligence on third party payments; and (iii) inadequate due diligence on China Metal's suppliers and customers.	<a href="#">Click here</a>
18-Apr-19	Nine Masts Capital Limited	Internal control failure.	HKD1.2m fine; reprimand	Failure to act with due skill, care and diligence in dealing in the placing of shares. Failure to implement adequate and effective systems and controls to ensure compliance with the short selling requirements.	<a href="#">Click here</a>
12-Apr-19	Fujikon Industrial Holdings Limited ( <b>Fujikon</b> ), its CEO Mr Yeung Chi Hung, and its CFO and company secretary Ms Chow Lai Fung	Failure to disclose.	HKD1.5m fine total (HKD1m for Fujikon, HKD300k for Yeung and HKD200k for Chow)	MMT has found that Fujikon, the company's chairman and chief executive officer, Mr Yeung Chi Hung, and its chief financial officer and company secretary, Ms Chow Lai Fung, had failed to make timely disclosure of inside information following proceedings brought by SFC.	<a href="#">Click here</a>

DATE	PARTY SANCTIONED	CATEGORY	SANCTION	NATURE OF BREACHES/ OTHER INFORMATION	LINK TO REPORT
18-Mar-19	BOCI Securities Limited	Internal control failure. Mis-selling.	HKD10m fine; reprimand	Failure to comply with regulatory requirements concerning client profiling, product due diligence and suitability assessment in its sale and distribution of investment products. Failure to implement and maintain adequate and effective internal controls and systems to diligently supervise its sale and distribution of investment products to ensure compliance with regulatory requirements.	<a href="#">Click here</a>
14-Mar-19	Morgan Stanley Asia Limited	Sponsor failures.	HKD224m fine; reprimand	SFC's investigation revealed Morgan Stanley Asia Limited had failed to discharge its obligations as one of the joint sponsors in relation to the listing application of Tianhe Chemicals Group Limited in 2014. Morgan Stanley had failed to follow the specific guidelines on due diligence interviews under paragraph 17.6 of the Code of Conduct. Failures include: (i) involvement of Tianhe at customers' due diligence interview, six out of ten interviews were conducted at Tianhe's premises, as opposed to the customer's premises; Merrill Lynch did not have direct contact with Tianhe's customers for the purpose of setting up these interviews; (ii) failure to address red flag at customers' due diligence interview when Tianhe's largest customer refused to give identity information and business cards; and (iii) unclear interview questions.	<a href="#">Click here</a>
14-Mar-19	Merrill Lynch Far East Limited	Sponsor failures	HKD128m fine; reprimand	SFC's investigation revealed that Merrill Lynch Far East Limited had failed to discharge its obligations as one of the joint sponsors in relation to the listing application of Tianhe Chemicals Group Limited in 2014. Merrill Lynch had failed to follow the specific guidelines on due diligence interviews under paragraph 17.6 of the Code of Conduct. Failures include (i) involvement of Tianhe at customers due diligence interview, six out of ten interviews were conducted at Tianhe's premises, as opposed to the customers' premises; Merrill Lynch did not have direct contact with Tianhe's customers for the purpose of setting up these interviews; (ii) failure to address red flag at customers due diligence interview when Tianhe's largest customer refused to give identity information and business cards; and (iii) unclear interview questions.	<a href="#">Click here</a>
14-Mar-19	Standard Chartered Securities (Hong Kong) Limited	Sponsor failures.	HKD59.7m fine; reprimand	SFC investigation revealed that Standard Chartered Securities (Hong Kong) Limited had failed to discharge its obligations as one of the joint sponsors in relation to the listing application of China Forestry Holdings Company Limited in 2009. In particular, it had failed to make reasonable due diligence enquiries in relation to several core aspects of China Forestry's business, including: (i) failure to verify the existence of China Forestry's forestry assets; (ii) failure to verify the Group's forestry rights; (iii) failure to verify China Forestry's compliance with relevant laws and regulations; (iv) inadequate due diligence on insurance coverage for the Group's forestry assets; and (v) inadequate due diligence on China Forestry's customers.	<a href="#">Click here</a>

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14-Mar-19	UBS AG and UBS Securities Hong Kong Limited	Sponsor failures.	HKD375m; reprimand	Failing to discharge their obligations as one of the joint sponsors of three listing applications, namely, China Forestry Holdings Company Limited, Tianhe Chemicals Group Limited and another listing application. For China Forestry, in particular, SFC found that UBS had failed to make reasonable due diligence enquiries in relation to several core aspects of China Forestry's business, including: (i) failure to verify the existence of China Forestry's forestry assets; (ii) failure to verify the Group's forestry rights; (iii) failure to verify China Forestry's compliance with relevant laws and regulations; (iv) inadequate due diligence on insurance coverage for the Group's forestry assets; and (v) inadequate due diligence on China Forestry's customers. In relation to Tianhe, failures include: (i) involvement of Tianhe at customers due diligence interview, six out of ten interviews were conducted at Tianhe's premises, as opposed to the customers' premises; Merrill Lynch did not have direct contact with Tianhe's customers for the purpose of setting up these interviews; (ii) failure to address red flag at customers' due diligence interview when Tianhe's largest customer refused to give identity information and business cards; and (iii) unclear interview questions.	<a href="#">Click here</a>
18-Feb-19	Guosen Securities (HK) Brokerage Company, Limited	AML. Internal control failure.	HKD15.2m fine; reprimand	Failure to comply with AML and CFT regulatory requirements when handling party fund deposits. Failure to put in place any system or controls to identify and monitor third party deposits into the bank sub-accounts for its clients.	<a href="#">Click here</a>
08-Jan-19	FWD Life Insurance Company (Bermuda) Limited	Failure to comply with key personnel requirements under SFC Code on MPF Products and Fund Manager Code of Conduct. Internal control failure.	HKD2.4m fine; reprimand	Failure to maintain the minimum five-year investment experience requirement in managing retirement funds or public funds under the MPG Code at all times. Failure to implement policies and procedures for the designation and monitoring of key personnel and communicate to relevant staff members their designation as key personnel.	<a href="#">Click here</a>
06-Dec-18	SFM HK Management Limited	Internal control failure.	HKD1.5m fine; reprimand	Failure to act with due skill, care and diligence in dealing in bonus shares. Failure to diligently supervise its staff members and implement adequate and effective systems and controls to ensure compliance with short selling requirements.	<a href="#">Click here</a>
22-Aug-18	HPI Forex Limited	Client money. Breach of Code of Conduct.	HKD2m fine; reprimand	Failure to maintain client money in a segregated client account in Hong Kong; failure to ensure that client assets were promptly and properly accounted for and adequately safeguarded.	<a href="#">Click here</a>
19-Jul-18	HSBC Broking Securities (Asia) Limited	Mis-selling.	HKD9.6m fine; reprimand	Failure to conduct adequate product due diligence before making recommendations to clients; failure to properly assess client's risk profile; failure to provide adequate information regarding features and risk to staff; failure to maintain proper documentary records of the investment advice and recommendations given.	<a href="#">Click here</a>
10-Jul-18	Citigroup Global Markets Asia Limited	Breach of Code of Conduct. Operations.	HKD4m fine; reprimand	Failure to provide ALP Guidelines to users and to ensure that only qualified investors are permitted to be users of the ALP.	<a href="#">Click here</a>
09-Jul-18	CCB International Capital Limited	Sponsor failures.	HKD24million fine; reprimand	Failure to conduct reasonable due diligence; proper customer due diligence; and provide a proper audit trail or written record of due diligence.	<a href="#">Click here</a>

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31-May-18	Hang Seng Investment Management Limited	Cash management. Internal control failure.	HKD3m fine; reprimand	Failure to comply with regulatory requirements on cash management involving SFC-authorized funds.	<a href="#">Click here</a>
29-May-18	Noah Holdings (Hong Kong) Limited	KYC. Mis-selling.	HKD5m fine; reprimand	Failure to comply with various regulatory requirements on know-your-client, product due diligence, suitability assessment, information for clients, and sales supervision and controls.	<a href="#">Click here</a>
17-May-18	Citigroup Global Markets Asia Limited	Sponsor failures.	HKD57m fine; reprimand	Failure to conduct adequate and reasonable due diligence on the customers of the company it was sponsoring for listing – failure to properly supervise its staff when carrying out the sponsor work on the listing application	<a href="#">Click here</a>
24-Apr-18	CN Capital Management Limited	Internal control failure.	HKD1.2m fine; reprimand	Failure to maintain effective compliance function. Failure to maintain satisfactory internal controls regarding employee account dealing.	<a href="#">Click here</a>
13-Apr-18	Instinet Pacific Limited	Breach of Code of Conduct. Internal control failure.	HKD17.3m fine; reprimand	Failure to put in place reasonable controls to prevent its algorithmic trading system from generating and passing disorderly orders to the market. Failure to ensure non-proprietary orders received execution priority over proprietary orders. Failure to comply with obligations under the Code of Conduct.	<a href="#">Click here</a>
21-Mar-18	UBS Securities Asia Limited	Internal control failure.	HKD4.5m fine; reprimand	Failure to put in place effective controls to record transactions and client consents in relation to its facilitation trading activities – unable to locate client consent records for half the client facilitation trades conducted.	<a href="#">Click here</a>
13-Mar-18	Deutsche Bank AKTIENGESELLSCHAFT and Deutsche Securities Asia Limited	Client money. Failure to report. Unlicensed activity.	HKD8.3m fine; reprimand	Failure to comply with short position reporting requirements. Publishing research reports on futures contracts without a licence. Failure to segregate client money and rectification after the prescribed timeline.	<a href="#">Click here</a>
13-Mar-18	CLSA Limited	Failure to report. Internal control failure	HKD9m fine; reprimand	Internal control failures in relation to client facilitation services. No controls to prevent co-mingling of agency execution and client facilitation trading between 1986 and March 2016. Failure in relation to reporting obligation under Code of Conduct	<a href="#">Click here</a>
14-Feb-18	Interactive Brokers Hong Kong Limited	Breach of Code of Conduct. Internal control failure.	HKD4.5m fine; reprimand	Execution of market orders – electronic and algorithmic trading systems – ineffective price and volume controls to prevent its execution of market orders from disrupting the market.	<a href="#">Click here</a>
08-Feb-18	Credit Suisse (Hong Kong) Limited, Credit Suisse Securities (Hong Kong) Limited and Credit Suisse AG	Internal control failure. Regulatory breach.	HKD39.3m fine; reprimand	Sanctions covering multiple CS entities and multiple failures. Internal control failures related to electronic trading; multiple failures segregating client securities, reporting direct business transactions, short selling requirements, electronic trading requirements and contract notes rules, suitability controls.	<a href="#">Click here</a>
11-Jan-18	EFG Bank AG	Breach of Code of Conduct.	HKD2m fine; reprimand	Between 1 April 2003 and 22 November 2016, EFG Bank executed 139 transactions in offshore listed index options for 11 clients without the required registration to deal in futures contracts.	<a href="#">Click here</a>
18-Dec-17	Standard Chartered Securities (Hong Kong) Limited	Internal control failure. Regulatory breach. Short selling.	HKD2.6m fine; reprimand	At least 61 instances of regulatory breaches involving short sales executed by 11 traders.	<a href="#">Click here</a>
13-Dec-17	FXCM Asia Limited	Client money. Regulatory breach.	HKD2m fine; reprimand	Under-segregation of client monies, client assets not properly accounted for or adequately safeguarded.	<a href="#">Click here</a>

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21-Nov-17	HSBC Private Bank (Suisse) SA	Material systemic failures.	HKD400m fine; suspension of licence	<b>Material systemic failures</b> in relation to the marking and sale of derivative products ( <b>Lehman Brothers-related Notes</b> and Leveraged Forward Accumulators) for years, since 2003 until Lehman's collapse in 2008.	<a href="#">Click here</a>
10-May-17	Promising Securities Company Limited	Breach of Code of Conduct. Breach of Management, Supervision and Internal Controls Guidelines. Internal control failure. Unlicensed activity.	HKD3.5m fine; reprimand	Employing unlicensed settlement staff to perform regulated functions for its business in regulated activities and failing to implement adequate internal control procedures that ensure effective segregation of its operational functions.	<a href="#">Click here</a>
12-Apr-17	ISTAR International Futures Co. Limited (now known as Rifa Futures Limited)	AML	HKD3m fine; reprimand  Responsible officer suspended for six months	Inadequate AML/CTF safeguards associated with third party fund transfers including inadequate enquiries to ensure third party fund transfers were consistent with the customers' known legitimate activities, maintaining records of such enquiries, and effective implementation of internal policies for the prevention of money laundering and terrorist financing and communication of such policies to staff members.	<a href="#">Click here</a>
05-Apr-17	Guoyuan Securities Brokerage (Hong Kong) Limited	AML	HKD4.5m fine; reprimand	Breach of the Prevention of Money Laundering and Terrorist Financing Guidance Note, the Guideline on AML and CTF by failing to conduct proper enquiries and scrutiny to mitigate the risks of money laundering and terrorist financing when processing third party fund transfers for clients between September 2010 and July 2012.	<a href="#">Click here</a>
24-Mar-17	Merrill Lynch Far East Limited; Merrill Lynch (Asia Pacific) Limited	Breach of Code of Conduct. Breach of Internal Control Guidelines. Internal control failure.	HKD15m fine; reprimand	Failure to ensure compliance with requirements for LOP; failure to place formal governance, effectively manage and ensure integrity and reliability of the electronic trading system.	<a href="#">Click here</a>
16-Mar-17	DBS Vickers (Hong Kong) Limited	Client money. Regulatory breach.	HKD2m fine; reprimand	Under-segregation of client money and failure to ensure that client assets were appropriately safeguarded.	<a href="#">Click here</a>
14-Mar-17	Zhongtai International Securities Limited	AML. Internal control failure.	HKD2.6m fine; reprimand	Failure to monitor and/or conduct sufficient and timely enquiries and scrutiny on numerous deposits made by third parties to its clients' sub-accounts; failure to establish adequate and implement appropriate internal procedures and controls to detect and report suspicious third party fund deposits in a timely manner, and to ensure that there was clear delineation of duties among its senior management and staff in handling third party deposits.	<a href="#">Click here</a>
06-Mar-17	Guangdong Securities Limited (now Sinolink Securities (HK) Company Limited)	AML	HKD3m fine; reprimand  Managing Director (Mr. Huang Qiang) banned from industry for nine months	Failure to comply with and failure to demonstrate that it had conducted appropriate AML enquiries before processing third party payments.  For Managing Director - failure to ensure maintenance of appropriate standards of conduct and failure to diligently supervise staff members to conduct business.	<a href="#">Click here</a>  <a href="#">Click here</a>
09-Feb-17	GMO-Z.com Forex HK Limited	Internal control failure.	HKD1.6m fine; reprimand	Deficiencies in its order execution and slippage handling procedures, and failures in its electronic trading system for leveraged foreign exchange contracts.	<a href="#">Click here</a>

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25-Jan-17	Value Partners Limited; Value Partners Hong Kong Limited	Failure to report. Regulatory breach.	HKD4m in total (HKD2m respectively); reprimand	Failure to comply with the regulatory requirements in managing two SFC-authorized funds, issued shares in excess of their authorized share capital as provided in their Memorandum and Articles of Association.	<a href="#">Click here</a>
03-Jan-17	MIS services	Failure to comply with SFC Code on MPF Products and Fund Manager Code of Conduct. Internal control failure.	HKD3m fine; reprimand	Failure to ensure there were at least two key personnel who met the minimum investment experience of five years in managing retirement funds or public funds.	<a href="#">Click here</a>
30-Nov-16	AcrossAsia Limited ( <b>AcrossAsia</b> ); Mr Albert Saychuan Cheok ( <b>Cheok</b> ); Mr Vicente Binalhay Ang ( <b>Ang</b> );	Failure to disclose. Market misconduct.	Total HKD2m fine (HKD\$600,000 for AcrossAsia; HKD800,000 for Cheok; and HKD600,000 for Ang)	MMT decision. MMT found that AcrossAsia, Cheok and Ang had breached the disclosure requirement under the SFO after they admitted to having been late in disclosing inside information about a petition filed against AcrossAsia in Indonesia and a related court summons. The MMT accepted the basis of their admissions that the negligence of Cheok and Ang caused the misconduct and found that AcrossAsia's disclosure on the inside information to the public was about a week late.	<a href="#">Click here</a>
20-Oct-16	J.P. Morgan Securities (Asia Pacific) Limited and JPMorgan Chase Bank, National Association	Failure to disclose. Failure to report. Regulatory breaches.	HKD5.6m fine (HKD 3m and HKD 2.6m respectively); reprimand	Disclosure failures in research reports and offering offshore listed index options without the required licence. Failure to timely self-report to the SFC.	<a href="#">Click here</a>
19-Oct-16	FXCM Asia Limited	Internal control failure.	HKD4m fine; reprimand	Failure to maintain proper internal policies and controls in place to ensure its order execution practice effectively.	<a href="#">Click here</a>
14-Sep-16	The Hongkong and Shanghai Banking Corporation Limited	Internal control failure. Regulatory breach.	HKD2.5m fine; reprimand	Inadequate internal controls to monitor its positions in Hong Kong Futures Exchange's futures and options contracts to ensure compliance with the prescribed position limit.	<a href="#">Click here</a>
31-Aug-16	BNP Paribas Wealth Management	Breach of Code of Conduct.	HKD 4m; reprimand	The monetary benefits received by BNP Paribas Wealth Management from around 2,300 client transactions exceeded the charging levels it represented in its documentation provided to the clients. The total overcharged amount was around USD9.5m.  Breach of the Code of Conduct by failing to exercise due skill, care and diligence to ensure the monetary benefits it received from client transactions were fair and reasonable, and in accordance with its representations to the clients.	<a href="#">Click here</a>
24-Aug-16	Morgan Stanley Hong Kong Securities Limited	Internal control failure.	HKD18.5m fine; reprimand	Multiple breaches. Internal control failures in managing conflicts of interest and other breaches (e.g. obtaining client consent for a facilitation execution, documentation of electronic trading systems, disclosure of short selling orders compliance with contract limits, reporting of large open positions, failure to effect client instructions etc.)	<a href="#">Click here</a>
15-Jun-16	State Street Global Advisors Asia Limited ( <b>State Street</b> )	Internal control failure. Regulatory breaches.	HKD4m fine; reprimand	Failure to manage and minimise the conflict between the interests of the Fund's investors and the interests of State Street. Inadequate internal procedures on managing the Fund's cash balances; breach of UT Code.	<a href="#">Click here</a>
03-Jun-16	Kingsway Financial Services Group Limited	Insider dealing.	Restriction notice; prior written consent required for dealing with shares	Suspected insider dealing – ongoing investigation by SFC.	<a href="#">Click here</a>



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31-May-16	SynerWealth Financial Limited	Internal control failure.	HKD2.7m fine; reprimand	Ineffective internal control procedures to detect and prevent short selling.	<a href="#">Click here</a>
30-May-16	Guotai Junan Securities (Hong Kong) Limited	KYC. Regulatory breach.	HKD1.3m; reprimand	Failure to comply with the regulatory requirements in relation to ascertaining client identity.	<a href="#">Click here</a>
19-May-16	Tiger Asia Management LLC	Insider dealing. Market manipulation.	Restoration payments distributed	Payments under restoration orders were made following SFC's admissions of insider dealing and manipulation by Tiger Asia and its senior officers, Mr Bill Hwang and Mr Raymond Park. <i>Please also refer to 88 and 99 for more information.</i>	<a href="#">Click here</a>
05-Apr-16	Moody's Investors Service Hong Kong Limited	Breach of Code of Conduct. Failures relating to publication of report.	HKD11m; reprimand	Failures relating to Moody's preparation and publication of the special comment report "Red Flags for Emerging-Market Companies: A Focus on China" published on 11 July 2011.	<a href="#">Click here</a>
14-Mar-16	Unicorn Securities Company Limited <b>(Unicorn Securities)</b>	Client money.	HKD3m fine against Unicorn Securities; and \$200,000 against responsible officer Mr Chan Hoi Shu	SFC found that between March 2011 and December 2013, Unicorn Securities mishandled its clients' dividend entitlements of shares of HSBC Holdings PLC <b>(HSBC)</b> by going against clients' instructions in their choices between cash or scrip dividends (i.e. HSBC shares) when submitting their instructions to Hong Kong Securities Clearing Company Limited, and giving the clients' dividends to others.	<a href="#">Click here</a>
29-Feb-16	Yuanta Securities (Hong Kong) Company Limited	Conflicts of interest. Failure to disclose. Failure to provide accurate information to clients.	HKD4m fine; reprimand	Failure to avoid and disclose conflicts of interest and treat its clients fairly or act in their best interests. Failure to provide accurate information to the clients regarding the actual execution price and the full extent of the fees or charges it made in respect of the transactions. Failure to set out the actual execution price and the commission and charges in the daily statements sent to clients as required under the law.	<a href="#">Click here</a>
15-Dec-15	J.P. Morgan Broking (Hong Kong) Limited <b>(JPMBHK)</b> , J.P. Morgan Securities (Asia Pacific) Limited <b>(JPMSAP)</b> and J.P. Morgan Securities (Far East) Limited <b>(JPMSFE)</b>	Internal control failure. Regulatory breach.	HKD30m fine in total (HKD15m for JPMBHK, HKD12m for JPMSAP and HKD3m for JPMSFE respectively); reprimand	Multiple breaches. Inadequate systems and controls in institutional equities business in Hong Kong regarding: (i) short selling; (ii) client facilitation; (iii) segregation of facilitation/principal trading business from agency business; and (iv) dark pool trading services.	<a href="#">Click here</a>
10-Nov-15	Maxim Capital Limited	Unlicensed activities.	HKD23.5m fine; freezing order	Solicitation of over 30 investors to invest more than HKD111m in a number of investment schemes since 2013 that claimed to pay monthly returns from 3% to 8%.	<a href="#">Click here</a>
02-Nov-15	Okasan International (Asia) Limited	Failure to disclose. Internal control failure. Mis-selling.	HKD4m fine; reprimand	Inadequate systems and controls in selling unlisted investment products to clients, product due diligence, suitability, recording investment advice and client disclosure of trading profits.	<a href="#">Click here</a>
03-Aug-15	BNP Paribas Securities (Asia) Limited	Failure to report. Internal control failure.	HKD15m fine	Failure to ensure dark pool operated as intended and represented to clients; failure to seek client consent to using dark pool order matching; failure to report change to its dark pool business plan; failure to document dark pool logic and operations.	<a href="#">Click here</a>
30-Jul-15	Nomura International (Hong Kong) Limited	Failure to report. Regulatory breach.	HKD4.5m fine; reprimand	Failure to report significant misconduct by a former trader in a timely manner.	<a href="#">Click here</a>

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02-Jul-15	Pride Fund Management Limited	Breach of Code of Conduct.	HKD400,000 fine; reprimand	Failure to enter into mediation with an eligible claimant under the Financial Dispute Resolution Scheme ( <b>FDRS</b> ) administered by the Financial Dispute Resolution Centre ( <b>FDRC</b> ) – the first time SFC has enforced the Code of Conduct obligations of intermediaries to comply with the FDRS.	<a href="#">Click here</a>
16-Jun-15	Phillip Securities (Hong Kong) Limited (Phillip Securities)	Mis-selling.	HKD1m fine	Failure to: (i) implement sufficient measures to ensure sales staff assessed suitability of fund in sales process; (ii) monitor and review sales process; (iii) conduct adequate due diligence on fund before sales; and (iv) provide sufficient product information to sales staff.	<a href="#">Click here</a>
01-Jun-15	BNPP Securities	Breach of Code of Conduct. Failure to report.	HKD11m fine; reprimand	Failure to report late cross trades to SEHK for over ten years – HKD6.5m. Ineffective resources and procedures for cross trade business, and inadequate supervision of dealing function – HKD4.5m.	<a href="#">Click here</a>
06-May-15	Descartes Athena Fund SPC; Descartes Investment Management Limited, Descartes Global Asset Management Limited and Descartes Finance Limited	Fraud.	HKD190m in restoration	Investors defrauded by Athena Fund and managers by: (i) issuing false documents purportedly from a major accounting firm; (ii) sending false statements of account and subscription contracts; and (iii) dissipating the assets of the Athena Fund.	<a href="#">Click here</a>
01-Apr-15	Merrill Lynch Far East Limited ( <b>Merrill Lynch Far East</b> )	Internal control failure. Regulatory breach.	HKD2m fine; reprimand	SFC conducted an investigation into the holding of Merrill Lynch International ( <b>MLI</b> ) in 14,181 contracts in Hang Seng China Enterprises Index ( <b>HSCEI</b> ) on 30 May 2013 in breach of the prescribed position limit of 12,000 contracts. Merrill Lynch Far East controlled the trading or part of the trading for MLI and had discretion to make trading decisions for MLI for hedging at the material time. SFC found that Merrill Lynch Far East failed to implement adequate internal controls to monitor MLI's positions in HSCEI futures and options contracts to ensure compliance with the prescribed position limit.	<a href="#">Click here</a>
26-Mar-15	JS Cresvale Securities	Internal control failure. Mis-selling.	HKD2.5m fine; reprimand	Deficient systems and controls for ensuring product suitability, product due diligence, assessing client risk profiles and documenting investment advice.	<a href="#">Click here</a>
19-Jan-15	Mr Wang Wenming; Mr Lee Yiu Sun; and Mr Richard Yin Yingneng (current/ former directors of First China Financial Network Holdings Ltd ( <b>First China</b> ))	Breach of directors' duties.	CFI ordered payment of a total sum of RMB18,692,000 with interest as compensation to First China following findings of misconduct	Breach of directors' duties owed to First China by agreeing to pay a special dividend to Fame Treasure Ltd as part of an alleged mutual understanding and agreement which actually did not exist.	<a href="#">Click here</a>
18-Jul-14	Hisense Kelon Electrical Holdings Limited (Hisense Kelon)	Market misconduct.	Interim freezing order over a total of 107,290,000 shares in Hisense Kelon, up to a sum of HKD1.2bn	SFC earlier initiated proceedings under section 213 of the Securities and Futures Ordinance in the CFI against Gu and in the Market Misconduct Tribunal ( <b>MMT</b> ) against both Gu and other Greencool senior executives alleging market misconduct. The interim order is to preserve assets allegedly held for the benefit of Gu pending trial in the section 213 proceedings in which the SFC is seeking remedial orders for more than 1,300 minority shareholders who purchased Greencool shares during the period the SFC alleges Greencool's disclosed financial position was grossly overstated.	<a href="#">Click here</a>

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09-Jul-14	Ping An of China Securities (Hong Kong) Company Limited	AML/KYC. Internal control failure.	HKD6m fine; reprimand	Multiple breaches. Failure to: (i) establish AML control procedures; (ii) enforce account opening procedures; and (iii) establish and follow effective payment procedures to protect client assets.	<a href="#">Click here</a>
23-Jun-14	Greencool Technology Holdings Limited, Mr Gu Chujun and other executives of Greencool	Market misconduct.	HKD1.59bn freezing order; proceedings against director and others	Grossly overstating Greencool's financial accounts for the years ended 31 December 2000 to 2004.	<a href="#">Click here</a>
04-Jun-14	Delta Asia Securities Limited	Internal control failure. Unauthorised transfer.	HKD4m fine; reprimand	Inadequate controls to safeguard client securities and to supervise settlement function; unauthorised transfers of client securities from CCASS segregated client accounts to CCASS clearing account.	<a href="#">Click here</a>
22-May-14	Deutsche Bank AG	Internal control failure. Regulatory breach.	HKD1.6m fine; reprimand	Inadequate monitoring of positions in Hong Kong equities; failure in disclosure of interests to SEHK.	<a href="#">Click here</a>
21-May-14	ICBC International Capital Limited; ICBC International Securities Limited	Sponsor failures.	HKD25m fine; reprimand	Multiple failures in practice and procedures in their role in the IPO of Powerlong Real Estate Holdings Limited, e.g. failure to conduct customer due diligence, turned blind eye to lack of independence of Placees for the subscription of Powerlong's shares allotted through its listing, etc.	<a href="#">Click here</a>
07-May-14	Kaiser Securities Limited ( <b>Kaiser Securities</b> ) and Kaiser Futures Limited ( <b>Kaiser Futures</b> )	Unauthorised financial activities in Macau.	HKD1.7m fine; reprimand	SFC found that between 2004 and 2011, Kaiser conducted securities business in Macau at the premises of Unified Securities (Macau) Limited (Unified) and provided services to clients in respect of their trading in securities, futures and options in the Hong Kong market in Macau through Unified contrary to Macanese law. Contravention of the laws of Macau has called into question the reputation, character and reliability of Kaiser Securities and Kaiser Futures.	<a href="#">Click here</a>
07-May-14	Mr Wong Kwong Yu and Ms Du Juan	Breach of directors' duties.	HKD420m fine; compensation	Breached directors' duties in certain share repurchases GOME Electrical Appliances Holding Limited (the company in which Wong was the Chairman and Du a director) conducted between 22 January and 5 February 2008.	<a href="#">Click here</a>
22-Apr-14	The Royal Bank of Scotland PLC	Internal control failure.	HKD6m fine; reprimand	"Seriously inadequate" systems and controls on different levels to guard against employee misconduct; staff mismarking firm's principal fixed income positions undetected for years.	<a href="#">Click here</a>
09-Jan-14	Cheong Lee Securities Limited	Breach of Code of Conduct. Internal control failure.	HKD2m fine; reprimand	Inadequate controls to detect and prevent self-matching transactions between the sub-accounts, affecting market integrity.	<a href="#">Click here</a>
20-Dec-13	Tiger Asia Management LLC	Market misconduct.	HKD45m fine paid to investors	Contravened Hong Kong's laws prohibiting insider dealing when dealing in the shares of Bank of China Limited (BOC) and of China Construction Bank Corporation (CCB) in December 2008 and January 2009 and manipulated the price of CCB shares in January 2009.  Please also refer to 63 and 88 for more information.	<a href="#">Click here</a> <a href="#">Click here</a> <a href="#">Click here</a> <a href="#">Click here</a>

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19-Dec-13	HSBC Securities Brokers (Asia) Limited (HSBC Securities)	Provided inaccurate information to SFC during licence application process.	HKD5m fine; reprimand	HSBC Securities submitted a licence application to carry on business in Type 7 (providing automated trading services) regulated activity for its provision of matching and crossing services in Hong Kong (Crossing Service) in May 2010. During the licence application process, HSBC Securities represented to the SFC that existing clients would be given the option of "opting in", by signing "opt in letters", if they wished to participate in the Crossing Service (the "opt in" approach). The SFC granted HSBC Securities a Type 7 licence in March 2011. In July 2011, the media reported that HSBC proposed to launch the Crossing Service to its retail clients, and that an "opt out" approach would be adopted, whereby clients would effectively be assumed to consent to their trades being matched and crossed on the Crossing Service unless they took the initiative to notify HSBC otherwise. This is contrary to the representations that HSBC Securities had made to the SFC during the licence application process.	<a href="#">Click here</a>
05-Sep-13	Sun On Tat Securities Company Limited and its responsible officer Ms Kwong Suk Yee	Internal control failure. Operational defects.	HKD1.m fine total (HKD1.6m for Sun On Tat Securities and HKD200,000 for Ms Kwong Suk Kee); reprimand	Inadequate segregation of client securities; inadequate segregation between front and back offices; other operational defects.	<a href="#">Click here</a>
05-Sep-13	Premium Stars Investments Limited	Criminal conviction of short selling.	HKD3,000 fine and SFC's investigation costs	On 3 May 2011, Premium Stars sold over 68,000,000 excess rights shares to be issued by China Properties after it had applied for them. At the time of selling, Premium Stars did not have reasonable grounds to believe that it had a presently exercisable and unconditional right to sell the shares.	<a href="#">Click here</a>
15-Aug-13	China Securities Holdings Limited	Internal control failure. Unlicensed activities.	HKD1.3m fine; reprimand	Deficient record keeping and unlicensed dealing.	<a href="#">Click here</a>
29-Jul-13	A One Investment Company Limited	Internal control failure.	HKD1.2m fine; reprimand	Unauthorized sales of client securities; unauthorized transfers of client funds to third party accounts.	<a href="#">Click here</a>
11-Jun-13	Credit Suisse Securities (Hong Kong) Limited	Internal control failure. Regulatory breach.	HKD1.6m; reprimand	Failure to put in place effective internal controls to ensure that all open positions in stock options contracts in which extensions were granted were in compliance with the prescribed position limits.	<a href="#">Click here</a>
21-May-13	UBS Securities Hong Kong Limited	Internal control failure. Regulatory breach.	HKD1.6m; fine; reprimand	Inadequate controls to comply with prescribed stock option position limits.	<a href="#">Click here</a>
22-Apr-13	Sun Hung Kai Investment Services Limited	Internal control failure.	HKD1.5m fine; reprimand	Weak controls in trade execution function; lack of segregation between "maker" and "checker" of credit rules/policies.	<a href="#">Click here</a>
11-Apr-13	China Everbright Securities (HK) Limited	Internal control failure.	HKD1.2m; fine; reprimand	Failure to supervise staff and failure to have controls in place to ensure compliance with proper account opening and know-your-client procedures resulting in staff misconduct.	<a href="#">Click here</a>
04-Mar-13	Manulife Asset Management (Hong Kong) Limited	Internal control failure.	HKD24m fine; reprimand	Serious deficiencies in suitability systems and processes, affecting a majority (73%) of customers for specific funds.	<a href="#">Click here</a>

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18-Dec-12	Deutsche Securities Asia Limited	Internal control failure. Regulatory breaches.	HKD2.5m fine; reprimand	SFC found that Deutsche Securities Asia Limited failed to enforce its internal control procedures to ensure that all open positions in stock options contracts it held or controlled were in compliance with the prescribed position limits. SFC found that: (i) there was failure to appoint replacement gatekeepers from March 2011 to September 2011 to replace its primary and secondary gatekeepers who were on administrative leave even though the two gatekeepers were the only people who were granted access to the real-time monitoring system of Deutsche Securities Asia Limited for the purpose of monitoring position limits; and (ii) there was a failure to enforce a "zero tolerance" policy communicated to its trading staff in March 2006 and April 2007 requiring them to execute Hong Kong futures and options contracts via itself only. SFC considers the failings of Deutsche Securities Asia Limited more serious because it had already been told by an independent reviewer in 2007 that its real-time monitoring system for position limits could not capture proprietary trades executed via external brokers. Although Deutsche Securities Asia Limited was aware of the limitation to its monitoring system and had put in place a policy and procedures to address this, it failed to implement and enforce the policy and procedures.	<a href="#">Click here</a>
04-Dec-12	President Securities (Hong Kong) Limited	Failure to act in best interests of clients.	HKD2m fine; reprimand	Failure to act in the best interests of its clients when accepting subscriptions for a number of Lehman Brothers related structured products by 21 Taiwanese clients in 2008.	<a href="#">Click here</a>
14-Nov-12	CIC Investor Services Limited <b>(CIC)</b>	Regulatory breaches.	HKD4m fine; reprimand	SFC found that CIC had failed to comply with regulatory requirements in treating clients as professional investors and to keep adequate records of its investment advice to clients.	<a href="#">Click here</a>
22-Aug-12	Merrill Lynch (Asia Pacific) Ltd <b>(Merrill Lynch)</b>	Internal control failures. Regulatory breaches.	HKD3.5m; reprimand	SFC found that Merrill Lynch had failed to take adequate steps to properly handle the complaints of 11 clients in 2008 before rejecting their complaints in breach of the Code of Conduct. The clients were the subject of a fraud perpetrated by Ms Joyce Hsu Ming Mei, a former licensed representative of Merrill Lynch. They made various complaints to Merrill Lynch. Hsu was subsequently convicted of 20 counts of theft and other dishonesty offences. While Merrill Lynch made enquiries into each complaint, they failed to fully investigate all the relevant circumstances leading to some complaints being incorrectly rejected.	<a href="#">Click here</a>
16-Aug-12	RBC Investment Management (Asia) Limited	Internal control failure. Mis-selling.	HKD4m fine; reprimand	Failure to provide adequate guidance to its staff on conducting due diligence on funds before making investment recommendations or solicitations to clients. Relied on its Singapore office to conduct due diligence on investment products but saw no record of any due diligence conducted by its Singapore office. Did not provide adequate practical guidance to relationship managers in providing investment advice or recommendations. No adequate procedures in place requiring the relationship managers to document their investment advice or recommendations and the underlying rationale and to provide a copy of the same to the clients.	<a href="#">Click here</a>

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03-Jul-12	IMC Asia Pacific Limited <b>(IMC)</b>	Internal control failures. Regulatory breaches.	HKD1.5m fine.	SFC conducted an investigation into IMC's use of short selling indicators for sales orders conducted for its options and proprietary trading. SFC found that between May 2007 and July 2010 IMC: (i) inputted the wrong short selling indicator to 298,228 sale orders out of a total of 1,088,692 sales orders which comprised about 34% of sale orders executed by IMC for its options trading and almost 10% of sale orders executed for its proprietary trading; (ii) failed to report short selling input errors to Hong Kong Exchange and Clearing Limited until June 2010; and (iii) failed to implement adequate internal control procedures to detect and prevent the misuse of short selling indicators by traders.	<a href="#">Click here</a>
22-Apr-12	Mega Capital (Asia) Company Limited <b>(Mega Capital)</b>	Sponsor failures	Fine of HKD42m; revocation of licence.	SFC revoked Mega Capital's licence to advise on corporate finance and fined it HKD42m for failing to discharge its sponsor's duties in relation to the listing application of Hontex International Holdings Company Limited ( <b>Hontex</b> ) in 2009. SFC's investigation revealed that Mega Capital failed to discharge its sponsor's duties, including: (i) inadequate and sub-standard due diligence work; (ii) failure to act independently and impartially; (iii) inadequate audit trail of due diligence work; (iv) inadequate supervision of its staff; and (v) breach of sponsor's undertaking and filing untrue declaration with The Stock Exchange of Hong Kong Limited.	<a href="#">Click here</a>
13-Oct-11	Solomon Independent Financial Advisors Limited <b>(Solomon)</b>	Facilitating unlicensed activities.	HKD1.5m fine; reprimand; suspended the approval granted to Ms Connie Leung Wing Kam to act as a responsible officer for Solomon and suspended her licence for seven months from 13 October 2011 to 12 May 2012.	SFC conducted an investigation which found that Solomon entered into an arrangement in which Black Swan referred clients to Solomon in exchange for Black Swan receiving commissions for trades executed by Solomon on behalf of the referred clients.  The Black Swan employees who made the client referrals to Solomon also performed services in regulated activities to the referred clients.  Solomon knew that the arrangement with Black Swan required participants to be properly licensed by the SFC and that none of the Black Swan employees had been granted a SFC license.  As Leung was primarily responsible for devising the arrangement with Black Swan, she bore direct responsibility for Solomon's conduct.	<a href="#">Click here</a>

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03-Oct-11	Citigroup Global Markets Asia Limited ( <b>Citi Asia</b> )	Failure to report.	HKD6m; reprimand; suspended the approval granted to Ms Lisa Chan Sin Man, to act as a responsible officer, her licence was also suspended for eight months from 3 October 2011 to 2 June 2012	<p>SFC conducted investigation into suspected misconduct of a former licensed representative of Citi Asia, Mr X, who was responsible for operating what appears to have been a fraudulent scheme involving 13 Citi Asia wealth management clients who invested through Mr X on the basis their money would be pooled and used to purchase US Treasuries and other products. Mr X's scheme operated from 2004 until February 2009 when Citi Asia suspended Mr X while investigating the suspected misconduct. Shortly thereafter, Citi Asia dismissed Mr X for gross misconduct.</p> <p>However, Citi Asia failed to report Mr X's activities to the SFC in a timely manner as required by the Code of Conduct. By the time the report was produced, Mr X had fled Hong Kong. While this was not Citi Asia's intention, the consequence of the delay in reporting details of the fraudulent scheme to the SFC meant the SFC and other law enforcement agencies had no opportunity to interview Mr X or to secure his whereabouts pending the completion of the investigation.</p> <p>The SFC also found that Mr X was insufficiently supervised by Citi Asia with the result that his fraudulent scheme was undetected despite a number of "red flags" which should have caused those supervising Mr X to instigate enquiries.</p>	<a href="#">Click here</a>
21-Jun-11	Sun Hung Kai Investment Services Ltd ( <b>SHKIS</b> )	Failure to disclose. Internal control failure. Mis-selling.	HKD4.5m fine; reprimand	SFC found that SHKIS had failed to: (i) perform adequate due diligence on the ELNs before selling them to clients; (ii) provide adequate training and guidance for its sales staff, which would enable them to fully understand the nature of ELNs, the risks involved in ELNs, and the suitability criteria; and (iii) disclose material information, including the product terms and conditions and the risks associated with ELNs, to its clients.	<a href="#">Click here</a>
11-May-11	Merrill Lynch (Asia Pacific) Ltd ( <b>Merrill Lynch</b> )	Internal control failure.	HKD3m; reprimand.	SFC raised concerns that Merrill Lynch had failed to properly assess the financial situation and investment objectives of over 40 of the 72 customers who invested in the index-linked notes during 2007. The SFC was also concerned that key product information was only provided to clients after they had agreed to invest in the index-linked notes and that Merrill Lynch kept inadequate documentation to explain the rationale behind the advice they had given to their customers.	<a href="#">Click here</a>

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