

SFC reprimands and resolves compliance issues with Standard Chartered Bank (Hong Kong) Ltd

6 Jan 2009

The Securities and Futures Commission (SFC) has issued a reprimand to Standard Chartered Bank (Hong Kong) Ltd (SCB) for failing to act in the best interests of its clients and to exercise due skill, care and diligence to reasonably ensure that its clients who invested in the mutual funds from two fund houses were treated fairly (Note 1).

The decision follows an investigation by the Hong Kong Monetary Authority (HKMA) into SCB's mutual funds distribution and dealing operation for the period between May 2001 and September 2003. The HKMA referred its findings to the SFC on 10 January 2008 for further action.

The investigation centred on concerns that SCB gave preferential treatment to one client, Stone Castle Ltd (Stone Castle) (Note 2), over SCB's other clients investing in the mutual funds from two fund houses. A list of all the relevant [mutual funds](#) related to this matter is attached (Note 3).

The HKMA found that SCB allowed Stone Castle to get same day pricing for switching in and out of the relevant mutual funds. The same day pricing arrangement was not made known nor available to other clients of SCB who received next day pricing.

The SFC considers that the timing advantage given to Stone Castle was open to abuse and was potentially prejudicial to SCB's other clients because it might enable Stone Castle to trade ahead of those clients at better prices.

SCB has agreed with the SFC to make payments to the eligible SCB clients who invested in the relevant funds and did not receive the same treatment SCB gave to Stone Castle. In entering into this agreement, SCB does not accept that it has done anything wrong and is making the payments voluntarily.

Under the payment scheme, about 1,260 SCB clients who invested in the relevant funds will each be eligible to receive a total payment ranging between US\$0.1 and US\$12,739 plus interest, making a total amount available under the scheme of about US\$320,000 plus interest (Note 4).

The SFC acknowledges the valuable assistance of the HKMA which conducted the investigation into SCB's conduct.

The SFC's Executive Director of Enforcement, Mr Mark Steward, said: "Fair treatment to clients means not giving advantages to one client at the expense of others. This is an important obligation under the SFC's Code of Conduct. The bank has demonstrated its commitment to this important obligation by entering into this agreement. This is a good result for the bank, its clients as well as the regulators."

The HKMA's Executive Director of Banking Development, Mr Raymond Li, agreed: "This is indeed a good result for all parties concerned. The HKMA will continue to co-operate closely with the SFC on enforcement matters in relation to registered institutions."

In deciding on the appropriate action to take against and the resolution with SCB, the SFC took into account the mitigating factors that SCB self reported the matter to the HKMA and co-operated fully with both the HKMA and the SFC in agreeing to make these payments to clients.

End

Notes:

1. Standard Chartered Bank (Hong Kong) Ltd is a registered institution under the Securities and Futures Ordinance to carry on Type 1 (Dealing in Securities), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities.
2. Stone Castle Ltd was a Cayman Island vehicle of Millennium International Ltd, which was owned by a US based hedge fund group, Millennium Partners. In October 2003, Steven B. Markovitz, a

director and authorized signatory of Stone Castle, pleaded guilty to a charge of late trading of mutual funds in New York. In December 2005, Millennium settled with the Securities and Exchanges Commission of the USA for abusive trading strategies. SCB was not an implicated party in the prosecution of Markovitz and the enforcement actions against Millennium International Ltd taken in the USA.

3. Please follow this link for the list of relevant [mutual funds](#).

4. Under the payment scheme, SCB has undertaken to use its reasonable endeavours to (i) contact all of its clients who are eligible for the payments, (ii) administer and (iii) complete the payments in Hong Kong within reasonable time.

Page last updated : 1 Aug 2012



LIST OF FUNDS

No.	Fund Name
1.	ACM Bernstein Investments - American Value Portfolio Class A (USD)*
2.	ACM Bernstein Investments - European Value Portfolio Class A (EUR)*
3.	ACM Bernstein Investments - European Value Portfolio Class A (USD)*
4.	ACM Bernstein Investments - Global Value Portfolio Class A (USD)*
5.	ACM Global Investments - American Growth Portfolio Class A (USD)#
6.	ACM Global Investments - American Income Portfolio Class A2 (USD)#
7.	ACM Global Investments - Emerging Markets Growth Portfolio Class A (USD)#
8.	ACM Global Investments - Global Bond Portfolio Class A2 (USD)#
9.	ACM Global Investments - Global Growth Trends Portfolio Class A (USD)#
10.	ACM Global Investments - Global High Yield Portfolio Class A2 (USD)#
11.	ACM Global Investments - Short Maturity Dollar Portfolio Class A (USD)#
12.	ACM Global Investments - Short Maturity Dollar Portfolio Class A2 (EUR)#
13.	ACM Global Investments - Short Maturity Dollar Portfolio Class A2 (USD)#
14.	ACM International Health Care Fund Class A (USD)
15.	ACM International Technology Fund Class A (USD)
16.	ACM U.S. Real Estate Investment Fund Class A (USD)
17.	Scudder Global Opportunities Funds - New Life Sciences Fund Class A-2 (USD)*
18.	Scudder Global Opportunities Funds - New Technologies Fund Class A-2 (USD)*
19.	Scudder Global Opportunities Funds - Strategic Global Themes Fund Class A-2 (USD)*
20.	Scudder Global Opportunities Funds - U.S. Bond Fund Class A-2 (USD)*
21.	Scudder Global Opportunities Funds - U.S. Equity Fund Class A-2 (USD)*
22.	Scudder Global Opportunities Funds - U.S. High Yield Bond Fund Class A-2 (USD)*
23.	Scudder Global Opportunities Funds - U.S. Reserve Fund Class A-2 (USD)*
24.	Scudder Global Opportunities Funds - U.S. Small Companies Fund Class A-2 (USD)*

* These are sub-funds of "ACM Bernstein Value Investments".

These are sub-funds of "ACM Global Investments".

• These are sub-funds of "Scudder Global Opportunities Funds".