
STATEMENT OF DISCIPLINARY ACTION

The Disciplinary Action

1. The Securities and Futures Commission (**SFC**) has banned Mr Kim Bum Suk (**Kim**)¹, a former relevant individual of BNP, from re-entering the industry for 27 months pursuant to section 196 of the SFO.
2. The disciplinary action is taken because Kim:
 - (a) knowingly circumvented BNP's internal requirements in relation to discretionary trading by operating his clients' accounts discretionarily without obtaining their written authorizations under the guise of pre-signed client instruction forms;
 - (b) created a false appearance that the instructions originated from his clients by arranging for them to pre-sign blank client instruction forms and risk mismatch acknowledgement letters (collectively, **Blank Documents**), when in fact he was operating their accounts discretionarily; and
 - (c) caused the production of false call reports to BNP.
3. Kim's conduct breached General Principle 1 (Honesty and fairness), as well as paragraphs 5.2 (Know your client: reasonable advice) and 7.1 (Authorization and operation of a discretionary account) of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (**Code of Conduct**).

Regulatory requirements

4. Under General Principle 1 of the Code of Conduct, a registered person is required to act honestly, fairly, and in the best interests of its clients and the integrity of the market, in conducting business activities.
5. Under paragraph 5.2 of the Code of Conduct, a registered person should, when making a recommendation or solicitation, ensure the suitability of the recommendation or solicitation for that client is reasonable in all circumstances, having regard to information about the client or which the registered person is or should be aware through the exercise of due diligence.
6. Among others, paragraph 7.1(a) of the Code of Conduct provides that a registered person should not effect a transaction for a client unless before the transaction is effected, (i) the client, or a person designated in writing by the client, has specifically authorized the transaction; or (ii) the client has authorized in writing the registered person or any person employed by it to effect transactions for the client without the client's specific authorization. Further, paragraphs 7.1(c) and (d) of the Code of Conduct require a registered person to designate these accounts as "discretionary accounts", and obtain senior management's approval for opening these discretionary accounts.

¹ Kim was a relevant individual engaged by BNP Paribas Wealth Management and BNP Paribas (collectively, **BNP**) from 4 December 2014 to 30 September 2016 and from 30 September 2016 to 29 March 2018 respectively, to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (**SFO**). Kim is currently not licensed by the SFC or registered with the Hong Kong Monetary Authority (**HKMA**).

Summary of facts and breaches

7. In January 2018, BNP self-reported to the HKMA and the SFC that a client complained against his relationship manager, Kim, for investment losses suffered in his BNP account.
8. Following BNP's self-report and referral of findings from the HKMA, the SFC conducted an investigation and found that although the client's account was a non-discretionary account, the client verbally authorized Kim to trade in his account on a discretionary basis.
9. Kim told the client that he was not permitted to offer discretionary account services at BNP, and the way for him to manage the client's account discretionarily was for the client to pre-sign blank instruction forms.
10. Kim admitted meeting with the client regularly to report on investment performance, discuss investment strategies, and give the client Blank Documents to sign. The client understood that the purpose of signing the Blank Documents was for selling and purchasing investment products. Kim also explained to the client that risk mismatch acknowledgement letters were used when the investment risk and the client's risk profile were different.
11. Between March 2015 and August 2017, without informing the client prior to placing trades in the client's account, Kim traded discretionarily for the client using the Blank Documents pre-signed by the client for the sake of convenience. He then instructed his assistant to complete the pre-signed Blank Documents with trade details for execution, and produce false call reports stating that he had met or contacted the client to give investment advice and/or take order instructions from the client when he had not.
12. Kim adopted a similar practice with three of his other clients and asked them to pre-sign Blank Documents so he could place trades for their accounts without informing them in advance.
13. Although Kim claimed that he was authorized to trade for his clients discretionarily through pre-signed blank instruction forms, they cannot be substitutes for the authorizations required for operating discretionary accounts under paragraph 7.1 of the Code of Conduct.
14. Paragraph 7.1(a) of the Code of Conduct, which was also reflected in BNP's Hong Kong Compliance Policy Manual, sets out Kim's duty as a registered person in the operation of discretionary accounts. A written authorization protects a client from the risk of unauthorized trades and the registered person from unnecessary claims in case the client disputes the trades. Kim's failure to designate his clients' accounts as discretionary accounts and obtain senior management's approval required under paragraphs 7.1(c) and (d) of the Code of Conduct also meant that BNP and its senior management were oblivious to his discretionary operation of these accounts. His conduct deprived BNP the opportunity to supervise his discretionary trading activities in the client accounts, which was not in the best interests of his clients.
15. In addition, Kim misled BNP into believing that the order instructions set out in the pre-signed blank instruction forms came from his clients when the orders were actually placed by him discretionarily. He further deceived BNP by causing false call reports to be produced to BNP, stating that he had met or contacted the clients

when he had not. Kim was deceptive and dishonest in the conduct of his business activities, in breach of General Principle 1 of the Code of Conduct.

16. BNP's Procedures Manual in relation to "Client Investment Profile and Product Suitability" contained, among others, a risk mismatch handling process which required the relationship manager to, prior to trade execution, explain to the client that the relevant transaction was not suitable to the client's investment profile, confirm with the client that he/she had made the investment decision based on his/her own evaluation without BNP's recommendation, understood the risks involved and would like to proceed with the trade. Kim failed to follow the risk mismatch handling process and deceived BNP by asking clients to pre-sign risk mismatch acknowledgement letters, giving the false appearance that the clients agreed to trade in products with risks which did not match their investment profiles, contrary to General Principle 1 and paragraph 5.2 of the Code of Conduct.

Conclusion

17. In light of the above, the SFC is of the view that Kim is not fit and proper to be a regulated person as his conduct was deceptive and dishonest, and casts doubt on his character and reliability as well as his ability to carry on regulated activities competently and honestly.
18. In reaching the decision to take the disciplinary action set out in paragraph 1 above, the SFC has taken into account all relevant circumstances, including Kim's misconduct and breaches of BNP's policies lasted for almost two and a half years, his admission of using pre-signed Blank Documents and causing the production of false call reports, as well as his otherwise clean disciplinary record.