

Enforcement Actions

21 July 2000

SFC Reprimands HSBC Securities Brokers (Asia) Limited

The Securities and Futures Commission (SFC) today announced that it had publicly reprimanded HSBC Securities Brokers (Asia) Limited (HSAL). The reprimand stems from an inquiry into settlement failures on 27th and 28th August 1998.

As part of this inquiry the SFC found that HSAL had, on those days, transferred shares from its Central Clearing & Settlement System (CCASS) segregated account to its CCASS clearing account to settle trades for other clients.

The inquiry revealed that a practice had been established within HSAL's settlement function to overcome various problems that were encountered in settlement with CCASS. The practice resulted in shares for a segregated account being moved into CCASS clearing account to settle trades for other clients.

The SFC found, and senior management at HSAL have acknowledged, that there was a failure to ensure that the settlement system in place fully met the requirements of section 81 of the SO so as to prevent the unauthorized transfer of client's securities.

In deciding to publicly reprimand HSAL the SFC has taken into account that no losses were sustained by any clients, nor were they disadvantaged as a result of the practice adopted. In addition remedial measures were taken and control and infrastructural enhancements have been in place since February 1999. In addition HSAL immediately and vigorously cooperated with the SFC in its inquiries launching its own internal investigation, the recommendations of which have been fully implemented by a completely new Management team, put in place since April 1999.

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