

# SFC Reprimands and Fines Instinet Pacific Limited For Breaches of Client Identity Rule Policy and an Undertaking to the SFC

11 Apr 2005

The SFC has reprimanded and imposed a disciplinary fine of HK\$50,000 on Instinet Pacific Limited for breaching the client identity rule and an undertaking given to the SFC (Note 1).

Instinet Pacific failed to provide the SFC with details of the underlying clients of certain transactions within two business days from the date of the SFC's request, in contravention of the *Client Identity Rule Policy*. Instinet Pacific also did not have adequate internal measures to ensure compliance with the *Policy*.

Instinet Pacific also failed to comply with an undertaking it gave the SFC in 1999 that it would not trade with two German clients until these clients provided details of the underlying clients of certain securities transactions and also expressly confirmed that they would comply with the *Policy*.

In deciding the level of fine, the SFC considered the Disciplinary Fining Guidelines (Note 2) and all the circumstances of the case including the fact that:

- no loss or damage was suffered by clients, the public, or market users;
- Instinet Pacific co-operated fully with the SFC's investigation;
- the delay in providing the client information was not deliberate; and
- Instinet Pacific has strengthened its internal control systems.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "In accordance with the *Client Identity Rule Policy*, Instinet Pacific had a duty to provide details of the underlying clients of securities transactions within two business days of a request from the SFC or HKEx. This was not done." Mr Linning added: "All licensed persons have a duty to know with whom they are dealing. This is a fundamental requirement."

Ends

Notes:

1. Instinet Pacific is a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities.
2. The [Disciplinary Fining Guidelines were issued by the SFC in March 2003](#) under the Securities and Futures Ordinance.

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