

[Home](#) ▶ [News & announcements](#) ▶ [News](#) ▶ [Enforcement news](#)

## SFC Reprimands Sarasin Rabo Investment Management Limited and Simon John Ruckert for Inadequate Internal Controls

30 Mar 2006

The SFC has reprimanded Sarasin Rabo Investment Management Limited and its responsible officer, Mr Simon John Ruckert, for Sarasin's inadequate internal controls (Note 1). The SFC has also agreed to accept a voluntary payment of \$400,000 from Ruckert in settlement of the disciplinary action against him.

The SFC commenced an inquiry following a report made by Sarasin that one of its licensed representatives (relationship managers) had conducted unauthorised transactions in three client accounts, from October 2002 to March 2003, which resulted in losses in one account amounting to around US\$1 million (Note 2).

The SFC found certain internal control failings in Sarasin which made it possible for the representative's misconduct and her concealment of the misconduct from Sarasin. These included:

- failure to monitor and supervise the activities of staff members adequately;
- failure to implement controls to ensure that clients with hold mail accounts (Note 3) were notified of uncollected mail by independent staff and not by their relationship managers;
- failure to put in measures to ensure that margin call letters were sent independently to clients instead of routing them through the relationship managers;
- inadequate reporting procedures to ensure that relationship managers disclosed client account details at the time they placed an order for the London market instead of the following day; and
- failure to conduct regular reviews of recordings of telephone conversations of its relationship managers.

Sarasin's internal control failings also facilitated the representative to withhold margin call letters from the client and disregard reminders from Sarasin to inform the client to collect his hold mail.

At the material time, Ruckert was Sarasin's dealing director responsible for its compliance. Although Ruckert did not directly supervise the representative, he failed to put in place adequate internal controls for Sarasin to prevent and detect the misconduct committed by the representative.

In light of these findings, the SFC concludes that Sarasin and Ruckert have breached the Code of Conduct for Persons Licensed by or Registered with the SFC and their fitness and propriety has been called into question. The SFC therefore decides to reprimand them. In reaching this decision, the SFC has taken into account that:

- Sarasin and Ruckert co-operated with the SFC's investigation;
- Sarasin has since strengthened its internal controls and management supervision;
- Sarasin reported the representative's misconduct to the SFC and conducted a compliance review;
- Sarasin compensated the relevant client; and
- Ruckert co-operated with the SFC in settling the disciplinary action.

The SFC considers that it is in the interest of the investing public and in the public interest to settle its disciplinary action against Ruckert. Ruckert's voluntary payment will be paid to the government revenue.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "This case illustrates the importance for companies and their senior management to put in place strong internal controls and to closely supervise and monitor all staff activities to ensure compliance. A strong internal control system will better protect the interest of the company and the investing public. Firms and their management who fail to put in place adequate internal controls can expect to face disciplinary action."

Ends

Notes to Editor:

1. Sarasin is a corporation licensed under the Securities and Futures Ordinance to carry on business in Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities. Ruckert is a licensed representative and responsible officer accredited to Sarasin.
2. The representative has left the industry and the SFC does not have jurisdiction to discipline her. However, she will have to satisfy the SFC that she is fit and proper if she re-applies for a licence.
3. Hold mail accounts are accounts where clients have made arrangements for the company to hold their mail until they collect it in person.

Page last updated : 1 Aug 2012