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SFC resolves disciplinary action with HSBC Trinkaus Investment Management Limited

4 May 2011

The Securities and Futures Commission (SFC) has resolved its disciplinary action with HSBC Trinkaus Investment Management Limited (HSBC Trinkaus) (Note 1) in relation to its distribution of equity linked notes (ELNs). Under the resolution, the SFC reprimands HSBC Trinkaus, fines it \$3 million, and partially suspends its licence for two years from 30 April 2011 to 29 April 2013 (Note 2).

The SFC investigation revealed that HSBC Trinkaus did not have adequate procedures to:

- ensure that its recommendations or solicitations made to customers in relation to the ELNs were suitable for and reasonable in all circumstances of each of the customers;
- ensure adequate product due diligence had been conducted on ELNs before making recommendations or solicitations to the customers for them to invest into the ELNs; and
- adequately document the investment advice given, in particular in relation to ELNs, to its customers and the rationale underlying the advice and to provide customers with a copy of the written advice.

SFC's Executive Director of Enforcement, Mr Mark Steward said, "Suitability, product due diligence and record keeping are three key obligations that intermediaries must satisfy when recommending or advising customers about securities. The SFC will continue to address the consequences when these obligations are not fully met by intermediaries."

In deciding the disciplinary action, the SFC took into account that HSBC Trinkaus has no disciplinary record and co-operated in resolving these disciplinary proceedings.

End

Notes:

1. HSBC Trinkaus is licensed under the Securities and Futures Ordinance (SFO) to carry on business in Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities.
2. HSBC Trinkaus' licence for Type 1 and 4 regulated activities is suspended to the extent that it is not allowed to deal in or advise on over-the-counter or non-exchange traded structured notes which are within the meaning of "securities" under the SFO.

Page last updated : 1 Aug 2012