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## SFC reprimands and fines SEAVI Advent Ocean Private Equity Limited \$1 million

3 Oct 2019

The Securities and Futures Commission (SFC) has reprimanded and fined SEAVI Advent Ocean Private Equity Limited (SAOPEL) \$1 million for breach of the Code of Conduct (Notes 1 & 2).

The disciplinary action follows an SFC investigation which found that SAOPEL had allowed its director and an investment manager, both of whom were not licensed by the SFC, to perform regulated functions for its business in regulated activities between March 2013 and April 2014. They introduced clients to invest in the fund managed by SAOPEL, answered clients' queries and arranged for the execution of the subscription agreements for the fund (Notes 3 & 4).

In determining the sanction, the SFC took into account all relevant circumstances, including that SAOPEL:

- had failed to ensure that the persons it employed/appointed to conduct its licensed business were fit and proper;
- cooperated with the SFC in resolving its concerns; and
- has an otherwise clean disciplinary record.

End

Notes:

1. SAOPEL has been licensed under the Securities and Futures Ordinance (SFO) to carry on Type 9 (asset management) regulated activity since 9 July 2008, with the conditions that it can only provide services to professional investors and cannot hold client assets.
2. Code of Conduct for Persons Licensed by or Registered with the SFC.
3. Under section 114 of the SFO, subject to the stipulated exemptions in section 114(4) of the SFO, it is an offence for a person, without reasonable excuse, to perform any regulated function in relation to a regulated activity carried on as a business.
4. Paragraphs 12.1 and 4.1 of the Code of Conduct provide that a licensed corporation should comply with the relevant law and regulations, and ensure that any person it employs or appoints to conduct business is fit and proper and otherwise qualified to act in the capacity so employed or appointed.

[A copy of the Statement of Disciplinary Action is available on the SFC website](#)

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## STATEMENT OF DISCIPLINARY ACTION

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### The Disciplinary Action

1. The Securities and Futures Commission (**SFC**) has publicly reprimanded and fined SEAVI Advent Ocean Private Equity Limited (**SAOPEL**)<sup>1</sup> \$1 million pursuant to section 194 of the Securities and Futures Ordinance (**SFO**).
2. The disciplinary action is taken because SAOPEL has employed/appointed persons, who were not licensed by the SFC, to perform regulated functions for its business in regulated activities from March 2013 to April 2014 (**Relevant Period**).

### Relevant statutory provisions and regulatory requirements

3. Under section 114 of the SFO, subject to the stipulated exemptions in section 114(4) of the SFO, it is an offence for a person, without reasonable excuse, to perform any regulated function in relation to a regulated activity carried on as a business.
4. "Regulated function" is defined under section 113(1) of the SFO. In relation to a regulated activity carried on as a business by any person, "regulated function" means any function performed for or on behalf of or by arrangement with the person relating to the regulated activity, other than work ordinarily performed by an accountant, clerk or cashier.
5. The Code of Conduct for Persons Licensed by or Registered with the SFC (**Code of Conduct**) provides that:

#### **"12.1 Compliance: in general**

*A licensed or registered person should comply with, and implement and maintain measures appropriate to ensuring compliance with the law, rules, regulations and codes administered or issued by the Commission, the rules of any exchange or clearing house of which it is a member or participant, and the requirements of any regulatory authority which apply to the licensed or registered person."*

#### **"4.1 Fit and proper staff**

*A licensed or registered person should ensure that any person it employs or appoints to conduct business is fit and proper and otherwise qualified to act in the capacity so employed or appointed (including having relevant professional training or experience)."*

### Summary of facts

6. On 11 June 2013, SAOPEL was appointed as a fund manager of a private investment fund (**Fund**).
7. **As of 30 April 2014, a total of 23 investors subscribed for the non-voting participating shares of the Fund, with a total capital commitment of US\$60 million.**

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<sup>1</sup> SAOPEL has been licensed under the SFO to carry on Type 9 (asset management) regulated activity since 9 July 2008, with the conditions that it can only provide services to professional investors and cannot hold client assets.

8. The SFC found that a director of SAOPEL, Mr Jim Wang (**Wang**), and an investment manager (**Investment Manager**) of SAOPEL, who were not licensed by the SFC, had engaged in the following activities for and on behalf of SAOPEL:
  - (a) introducing the Fund to potential investors;
  - (b) answering investors' queries about, *inter alia*, calculation of the subscription fee and management fee of the Fund; and
  - (c) arranging for the execution of the know-your-client questionnaires and subscription agreements for the Fund.
9. The SFC also found that:
  - (a) Wang had introduced 11 investors to invest a total sum of US\$8,750,000 in the Fund. In return, SAOPEL agreed to pay Wang introductory fees equivalent to 2% of the investment commitments made by the investors introduced by him; and
  - (b) the Investment Manager was a staff of one of the investors of the Fund. During the Relevant Period, the Investment Manager was employed to provide consultancy services to SAOPEL on a secondment basis.

## Conclusion

10. Although Wang and the Investment Manager were not licensed by the SFC to carry on regulated activities during the Relevant Period, SAOPEL allowed them to perform the regulated functions as stated in paragraph 8 above, in breach of paragraphs 12.1 and 4.1 of the Code of Conduct.
11. In deciding the appropriate sanction, the SFC has taken into account all relevant considerations, including that SAOPEL:
  - (a) had failed to ensure that the persons it employed/appointed to conduct its licensed business were fit and proper;
  - (b) cooperated with the SFC in resolving its concerns; and
  - (c) has an otherwise clean disciplinary record.