

## SFC Publicly Reprimands Bear Stearns Asia Limited

11 Feb 1999

The Securities and Futures Commission today announced that it had publicly reprimanded Bear Stearns Asia Limited, a registered dealer under the Securities Ordinance for its failure to comply with the requirements set out in paragraph 37 of the consultation conclusions on offer mechanisms issued jointly by the Stock Exchange of Hong Kong Limited (SEHK) and the Commission in February 1998 (consultation conclusions).

The Commission's action stemmed from an inquiry under section 56 of the Securities Ordinance into the conduct of Bear Stearns as a joint sponsor and lead manager of the Hong Kong offering of "H" shares in Yanzhou Coal Mining Company Limited (the Company) in March 1998.

Bear Stearns reported to the SEHK that the number of "H" shares of the Company over-allocated in the "H" Share Offering had exceeded the size of the Over-allocation Option and that there had therefore been a failure to comply with the requirements set out in paragraph 37 of the consultation conclusions. Paragraph 37 makes it clear that the creation of a short position in excess of the limit under which shares could be allocated pursuant to an over-allotment option is subject to the scrutiny of the Commission.

The Commission found that Bear Stearns acted on legal advice which they ought to have known did not take into account Hong Kong regulations and was inconsistent with the consultation conclusions. Bear Stearns admit this advice was incorrect.

In deciding on a public reprimand the Commission took into account that:

- (a) it was Bear Stearns compliance department who identified the problem;
- (b) immediate action was taken by Bear Stearns to stop purchases of the Company's "H" share as soon as the problem was identified; and
- (c) Bear Stearns had immediately advised the SEHK of what had occurred with a full apology both orally and in writing.

Nevertheless the Commission considered that the matter warrants a public reprimand.

A Commission spokesman said "It is incumbent on registered persons involved in public offerings in Hong Kong to ensure that its staff have knowledge of and comply with the relevant laws and regulations pertaining to such business in Hong Kong."

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