
Enforcement News

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SFC reprimands and fines BOCI Securities Limited

The Securities and Futures Commission (SFC) has reprimanded and fined BOCI Securities Limited (BOCI Securities) \$3 million for failing to reasonably ensure that client securities were properly safeguarded (Note 1).

This decision followed an SFC investigation which found that a settlement staff member of BOCI Securities had used shares belonging to cash and margin clients to settle transactions for BOCI Securities' institutional clients who were late in delivering scrip for settlement. This occurred without the consent or authorization of the cash and margin clients and occurred on over 30 occasions in 2006.

The SFC found that BOCI Securities had failed to implement proper controls to safeguard client securities. The unauthorized transfers of client securities from its Central Clearing and Settlement System (CCASS) cash and margin client accounts to its CCASS clearing account were not detected for almost a year.

"Safe custody of client assets is a mandatory obligation for licensees," said Mr Mark Steward, the SFC's Executive Director of Enforcement. "There can be no let-up when this principle is transgressed even when clients are made whole again, as in this case."

The SFC has entered into an agreement with BOCI Securities under section 201 of the Securities and Futures Ordinance. In deciding to enter into the agreement with BOCI Securities, the SFC took into account BOCI Securities reported the matter to the SFC, that no client suffered loss and that BOCI Securities cooperated fully with the SFC. The fine was reduced accordingly. The SFC also accepts that these incidents were the result of acts by one staff member only.

End

Notes:

1. BOCI Securities Limited is a licensed corporation under the Securities and Futures Ordinance to carry on Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts), Type 4 (Advising on Securities), and Type 5 (Advising on Futures Contracts) regulated activities.

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