

## SFC Reprimands and Fines BNP Paribas Peregrine Securities Limited for Late Reporting of FRR BreachesA

10 Nov 2004

The SFC has reprimanded and imposed a disciplinary fine of \$375,000 on BNP Paribas Peregrine Securities Limited ("BNPPSL") under the Securities and Futures Ordinance (SFO).

BNPPSL breached section 6 of the Securities and Futures (Financial Resources) Rules (FRR) by failing to maintain the required liquid capital for 5 days in the third quarter of 2003 and delayed in reporting the breaches to the SFC as soon as reasonably practicable as required by law. There was an unacceptable delay of 3½ days, albeit over a weekend, in reporting the breach.

BNPPSL was a global co-ordinator of an initial public offering (IPO). BNPPSL took out a short term loan to finance its clients' IPO applications. However, applications by clients exceeded an earlier estimate. The resulting loan gave rise to a liquid capital shortfall, leading to BNPPSL's failure to comply with the FRR.

In deciding the level of fine, the SFC considered the Disciplinary Fining Guidelines (Note 1) and all the circumstances of the case including the fact that:

- although the breaches of the FRR were unintentional and of relatively short duration, the delay of 3½ days in reporting to the SFC is unacceptable. This is the key reason for the level of the fine;
- the delay was not deliberate;
- no loss or damage was suffered by clients, the public, or market users; and
- BNPPSL co-operated with the SFC's investigations.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "In accordance with section 146 of the SFO, BNPPSL had a duty to report the FRR breaches to the SFC as soon as practicable. This was not done. Timely reporting to the SFC is a simple and basic procedure. The law requires written notification of FRR breaches but the SFC encourages reporting by telephone at the earliest opportunity followed up by formal written notification."

Ends

Notes:

1. The Disciplinary Fining Guidelines were issued by the SFC in March 2003 under section 199(1)(a) of the SFO.
2. Please refer to [SFC press release issued on 9 December 2003 in respect of treatment of IPOs under the FRR](#).

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