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SFC to initiate mis-selling investigation against banks

As the regulatory body to initiate disciplinary proceedings, the Securities and Futures Commission (SFC) welcomes the first referral of Lehman Brothers Minibond mis-selling cases from the Hong Kong Monetary Authority (HKMA), which has front-line responsibility over the products' distribution by banks.

"The SFC will adopt a systemic top-down approach to ensure that allegations of mis-selling of Minibonds are investigated efficiently, effectively and expediently," the SFC's Chief Executive Officer, Mr Martin Wheatley, said.

"Since a single selling organisation is often the subject of multiple allegations, the SFC will examine whether the evidence exposes any systemic weakness in management controls. This is consistent with the SFC's normal approach and the approach taken in other developed jurisdictions to allegations of widespread mis-selling," he added.

As with any enforcement action, the SFC will apply investigation guidelines under the Securities and Futures Ordinance to these mis-selling allegations. During an investigation, the SFC will take a number of steps to gather evidence and to allow the alleged violator an opportunity to respond.

Evidence must be gathered properly before prosecution. No short cuts will be taken to compromise the SFC's objective to get it right. The SFC is very experienced in dealing with investigations and will complete them as quickly as possible.

The penalties available to the SFC, which would first be discussed with the HKMA, include public reprimands, fines and suspension or removal from the list of licensed or registered persons.

In addition to this, the SFC has the potential to agree a voluntary settlement. This would take into account what actions the person or institution has taken to remedy or mitigate the misconduct.

As for the 24 cases referred by the HKMA today, the SFC is not in a position to comment until it has had a chance to examine the evidence. Any ensuing action taken

will be made public at an appropriate point in time.

End

Page last updated: 17 October 2008