

## SFC bans Jugurtha Harchaoui for life

9 Sep 2010

The Securities and Futures Commission (SFC) has banned Mr Jugurtha Harchaoui, formerly a managing director and senior trader at Merrill Lynch (Asia Pacific) Limited and Merrill Lynch Futures (Hong Kong) Limited (collectively Merrill Lynch), from re-entering the industry for life (Note 1).

The disciplinary action follows an SFC investigation into mis-marking activities in a trading book in exotics options (Book) at Merrill Lynch.

The SFC's investigation found that during the period from December 2007 to December 2008, Harchaoui had mis-marked the Book by manipulating the volatility marks in the valuation model, and accessed the computer system without authority to alter pricing parameters on various occasions.

The SFC further found that Harchaoui sought to cover up his action by instructing a junior trader in his team to use a manipulated computer programme to mark the Book on a daily basis during his sick leave. If the manipulated programme had not been uncovered, the mark-up in the Book would have been linearly amortised over the duration of his two-month sick leave.

Harchaoui's mis-marking activities resulted in the value of the Book being inflated by approximately US\$25 million and caused the actual loss in the Book to be wrongly reported to Merrill Lynch.

The SFC earlier took action against Merrill Lynch in relation to regulatory issues arising out of the same incident (Note 2).

In deciding the disciplinary action, the SFC took into account the dishonest nature of Harchaoui's conduct and the fact that he abused his seniority by instructing his subordinate to implement his mis-marking activities.

End

Notes:

1. Harchaoui was licensed under the Securities and Futures Ordinance to carry on Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities. He was accredited to Merrill Lynch from April 2006 to December 2008. He does not currently hold a licence with the SFC.
2. For details, please see SFC [press release](#) dated 31 May 2010.

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