

SFC reprimands and fines MIS Services Limited (formerly known as Standard Chartered Investment Services Limited) \$3 million for regulatory breaches

3 Jan 2017

The Securities and Futures Commission (SFC) has reprimanded and fined MIS Services Limited (formerly known as Standard Chartered Investment Services Limited) (SCIS) \$3 million for its failure to comply with regulatory requirements under the SFC Code on MPF Products (MPF Code) and Fund Manager Code of Conduct (Notes 1 & 2).

An SFC investigation found that SCIS failed to ensure there were at least two key personnel who met the minimum investment experience of five years in managing retirement funds or public funds as required by the MPF Code for a period of over nine years from October 2000 to July 2015 (Note 3).

From September 2013 to July 2015, SCIS did not have any key personnel who met the minimum investment experience requirement. For a period of over seven years between October 2000 and September 2013, SCIS had only one key personnel who met the minimum investment experience requirement and, for the rest of the time, had two key personnel who met the minimum investment experience requirement. SCIS only discovered that the two staff members it had designated as key personnel from September 2013 to July 2015 did not meet the minimum investment experience requirements when informed by the SFC in July 2015.

SCIS failed to implement adequate policies and procedures for the operation and monitoring of the investment experience of key personnel. SCIS also failed to communicate to staff members of their designation as key personnel and advise them of the necessary investment experience required for the role (Notes 4 & 5).

In deciding the penalty, the SFC took into account that SCIS:

- co-operated with the SFC in resolving the SFC's concerns;
- engaged an independent reviewer to conduct an internal controls review into the incident; and
- has since taken steps to strengthen its policies and procedures to ensure compliance with the minimum investment experience required for key personnel under the MPF Code.

End

1. SCIS is licensed under the Securities and Futures Ordinance to carry on Type 9 (asset management) regulated activities. At all material times, SCIS was a wholly-owned subsidiary of Standard Chartered Bank (Hong Kong) Limited.
2. On 10 November 2016, SCIS changed its name from Standard Chartered Investment Services Limited to its current name.
3. Paragraph 6.6(a) of the SFC Code on MPF Products provides that the key personnel of the investment manager should possess at least five years investment experience managing pooled retirement funds or other public funds with reputable institutions. The expertise gained should be in the same type of investments as those for the pooled investment fund or constituent fund(s) of the MPF scheme seeking authorization.
4. Paragraph 6.4 of the SFC Code on MPF Products provides that the investment manager must comply with the Fund Manager Code of Conduct issued by the Commission.
5. Paragraph 1.2 of the Fund Manager Code of Conduct requires a fund manager to, among other things, maintain satisfactory internal controls and written compliance procedures which address all applicable regulatory requirements.

[A copy of the Statement of Disciplinary Action is available on the SFC website](#)

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STATEMENT OF DISCIPLINARY ACTION

The Disciplinary Action

1. The Securities and Futures Commission (**SFC**) has reprimanded MIS Services Limited (formerly known as Standard Chartered Investment Services Limited) (**SCIS**) and fined it \$3,000,000 pursuant to section 194 of the Securities and Futures Ordinance (**SFO**).
2. The SFC found that SCIS failed to comply with the regulatory requirement to ensure it has in place at all times key personnel with at least five years investment experience managing pooled retirement funds or other public funds with reputable institutions.¹

Summary of Facts

3. At all material times, SCIS was a wholly-owned subsidiary of Standard Chartered Bank (Hong Kong) Limited (“SCBHK”) and was the investment manager for two SFC pooled investment funds (“SC APIFs”)², namely:
 - (a) Standard Chartered Asset Allocation Fund comprising five sub-funds: (i) Standard Chartered Balanced Fund; (ii) Standard Chartered Bond Fund; (iii) Standard Chartered Growth Fund; (iv) Standard Chartered MPF Conservative Fund; and (v) Standard Chartered Stable Fund; and
 - (b) Standard Chartered Career Average Guaranteed Fund.
4. Paragraph 6.6(a) of the SFC Code on MPF Products (“MPF Code”) requires key personnel of an investment manager to possess at least five years investment experience managing pooled retirement funds or other public funds with reputable institutions. The expertise gained should be in the same type of investments as those proposed for the pooled investment fund or constituent fund(s) of the MPF scheme seeking authorization.
5. The SFC found SCIS failed to have in place key personnel who met the minimum five years investment experience in retirement funds or public funds at all times as required by the MPF Code. The periods where SCIS failed to meet the minimum requirements are:
 - (a) 30 October 2000 to 31 July 2001 (nine months)
 - (b) 1 January 2002 to 28 February 2002 (two months)
 - (c) 1 January 2004 to 18 April 2005 (one year three months)
 - (d) 19 April 2005 to 11 December 2005 (eight months)
 - (e) 6 July 2007 to 17 March 2010 (two years eight months)
 - (f) 20 April 2010 to 30 October 2011 (one year six months)
 - (g) 7 June 2013 to 16 September 2013 (three months)
 - (h) 17 September 2013 to 19 July 2015 (one year 10 months).
6. For the periods identified in paragraph 5(a) to (g) above, SCIS had only one key personnel who met the minimum five years investment management experience in retirement funds or public funds. For the period identified in

¹ Paragraph 6.6(a) of the SFC Code on MPF Products

² The SC APIFs were available for investment to retirement schemes and other institutional investors.

paragraph 5(h) above, SCIS did not have any key personnel who met the minimum investment experience. As a result, SCIS failed to comply with paragraph 6.6(a) of the MPF Code for a total period of over nine years from October 2000 to July 2015.

7. The SFC also found SCIS failed to communicate the role of key personnel to designated staff members and the necessary investment experience required for the role. SCIS only discovered the two staff members it had designated as key personnel did not meet the minimum investment experience requirements following enquiries from the SFC in July 2015.

Inadequate policies and procedures

8. Paragraph 1.2(c) of the Fund Manager Code of Conduct requires a fund manager to maintain satisfactory internal controls and written compliance procedures which address all applicable regulatory requirements.
9. For matters involving legal and compliance, human resources, audit, finance, public relations, provident fund services and investment research, SCIS entered into two service level agreements with SCBHK to handle these matters.
10. SCIS acknowledged that, apart from a brief reference to Chapter 6 of the MPF Code in SCIS's Compliance Manual, it had no other policies or procedures in place for the operation and monitoring of the key personnel requirements to ensure compliance with the MPF Code.
11. The SFC considers the failure by SCIS to put in place adequate policies and procedures to ensure compliance with paragraph 6.6(a) of the MPF Code contributed to the duration and extent of the breach.

Conclusion

12. In reaching the decision to take the disciplinary action set out in paragraph 1 against SCIS, the SFC took into account all relevant circumstances including SCIS's clean disciplinary record.