

Enforcement Actions

2 June 1998

SFC Reprimands Morgan Stanley Asia Limited

The Securities and Futures Commission announced today that it reprimanded Morgan Stanley Asia Limited (MSAL) in relation to its conduct as an investment adviser under the Securities Ordinance.

The reprimand stems from an investigation in which the SFC found that in May 1997 in its role in connection with China Everbright IHD-Pacific Limited's (IHD) plans to acquire a stake in Everbright Bank of China and IHD's subsequent placement of shares. MSAL failed to ensure that IHD disclosed to the public information that was material to the investing public's consideration whether or not to invest in IHD.

In May 1997, there was widespread public and media speculation that IHD was to acquire a stake in the Everbright Bank of China. IHD needed approval from various authorities in Beijing before it could acquire a stake in the bank. Applications had been made for this approval. The SFC concluded that at the end of May just prior to IHD's June 1997 placement, MSAL expected this approval to be granted shortly and IHD to then proceed to purchase a stake in the bank. MSAL therefore did not fulfill its regulatory responsibility to ensure that the public was told this information.

Mark Dickens, the SFC's Executive Director of Enforcement, said that MSAL's failure amounted to misconduct and impugned its fitness and properness to be registered.

He said that the Commission expected very high standards of financial advisers given Hong Kong's self-regulatory system and that MSAL had failed to adhere to those standards.

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