

[Home](#) ▶ [News & announcements](#) ▶ [News](#) ▶ [All news](#)

Sun Hung Kai Investment Services reprimanded and fined \$4.5 million for failings related to sale of Lehman Brothers ELNs

21 Jun 2011

The Securities and Futures Commission (SFC) has issued a reprimand to Sun Hung Kai Investment Services Ltd (SHKIS) (Note 1) and fined it \$4.5 million for failings relating to its sale of Lehman Brothers related equity-linked notes (ELNs) to its clients between May and August of 2008 (Note 2).

The decision follows an investigation by the SFC which found that SHKIS had failed to:

- perform adequate due diligence on the ELNs before selling them to clients;
- provide adequate training and guidance for its sales staff, which would enable them to fully understand the nature of ELNs, the risks involved in ELNs, and the suitability criteria; and
- disclose material information, including the product terms and conditions and the risks associated with ELNs, to its clients.

In deciding on the penalty, the SFC has taken into account, among other things:

- the serious deficiencies in SHKIS's system for distributing investment products to its customers;
- a strong deterrent message needs to be sent to the market that failures to ensure suitability of investment products and disclosure of material information to clients are not acceptable and will not be tolerated;
- in 2009, SHKIS has commissioned an independent auditing firm to review its internal control and compliance systems in respect of its distribution of structured products (Note 3); and
- SHKIS' disciplinary record (Note 4).

End

Notes:

1. SHKIS is licensed under the Securities and Futures Ordinance to carry on business in Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities.
2. The relevant ELNs involved about \$10.5 million which were sold to 10 clients.
3. Please see SFC's press release dated [22 January 2009](#).
4. Please see SFC's press release dated [12 October 2009](#).

Page last updated : 1 Aug 2012