

## STATEMENT OF DISCIPLINARY ACTION

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### The disciplinary action

1. The Securities and Futures Commission (“**SFC**”) has prohibited Ms Yip Ka Ying Abbie (“**Yip**”)<sup>1</sup> for eighteen (18) months, pursuant to section 196 of the SFO, from doing all or any of the following in relation to any regulated activities:
  - (a) applying to be licensed or registered;
  - (b) applying to be approved under section 126(1) of the SFO as a responsible officer of a licensed corporation;
  - (c) applying to be given consent to act or continue to act as an executive officer of a registered institution under section 71C of the Banking Ordinance; and
  - (d) seeking through a registered institution to have her name entered in the register maintained by the HKMA under section 20 of the Banking Ordinance as that of a person engaged by a registered institution in respect of a regulated activity.
2. The disciplinary action is taken because Yip acted dishonestly by attempting to conceal a trade execution error made by her on 24 June 2015 and the consequential loss to BNPPHK, and failed to comply with BNPPHK’s internal guidelines and procedures on the reporting and escalation of material operational incidents.
3. Yip’s conduct is dishonest and casts serious doubts on her reputation, character and reliability.

### Summary of facts

4. Yip joined BNPPHK in December 2006. Yip was a trader in BNPPHK’s Global Markets’ Prime Solutions & Financing Department. Yip was mainly in charge of consolidating and hedging interest rate and foreign exchange exposure.

#### The incident

5. On 24 June 2015, Yip received instructions to execute an in-house 55,000 EUR/JPY spot trade. Yip made a “fat finger” error and executed a 55 million trade instead (“**Trade Error**”). Yip realised the error immediately and proceeded to cancel the trade without reporting to her supervisor.

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<sup>1</sup> Yip was a relevant individual engaged by BNP Paribas, Hong Kong Branch (“**BNPPHK**”) to carry on Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (“**SFO**”) from 1 December 2006 to 21 July 2015. Yip was also a licensed representative accredited to BNP Paribas Securities (Asia) Limited from 15 September 2011 to 21 July 2015. Yip is currently neither registered with the Hong Kong Monetary Authority (“**HKMA**”) nor licensed by the SFC.

6. The position for the cancellation (i.e. unwinding of the excess amount) (“**Unwind Trade**”) was covered by the London FX desk of BNP Paribas (“**BNPP**”) and resulted in a loss of €52,000 (or USD58,000) (“**Loss**”) to the book of a BNPP trader (“**N**”).

Attempts to conceal the incident

7. Yip attempted to conceal the incident in a number of ways.
  - (i) **Requesting to split the Loss**
8. After realising the Loss, Yip entered an Instant Bloomberg (“**IB**”) chat with N and asked if it could be booked over two days. N refused Yip’s request and escalated the incident to BNPP’s senior management. Evidence from Yip’s supervisor suggests that splitting the Loss over two days could have made it more difficult for BNPP’s operations staff to detect the loss, as irregular activities are detected based on the frequency and size of the trades.
  - (ii) **Booking the Loss in the wrong portfolio**
9. According to BNPPHK’s internal guidelines, in-house FX hedging transactions (such as the Trade Error and the Unwind Trade) should be booked in a portfolio for FX hedges. BNPPHK’s records show that the Trade Error was booked in the correct portfolio by default but Yip manually re-booked the trade and the Unwind Trade in another portfolio which, according to her supervisor, was not the correct portfolio for FX hedges and contained products which were more volatile in terms of profit and loss (“**PnL**”). Evidence from Yip’s supervisor suggests that the wrong booking could have made the Loss less detectable.
  - (iii) **Failure to include the Loss in the PnL estimate and PnL report**
10. BNPPHK’s procedures require traders to send a daily PnL estimate to their team as well as an end-of-day PnL report to Middle Office for reconciliation. Yip did not include the Loss in her PnL estimate or PnL report on 24 June 2015.
  - (iv) **Failure to report the incident**
11. Yip did not report the incident to any supervisor or management on 24 June 2015, and only told her supervisor the next day when she was specifically questioned about it. Further, traders are required to sign off their controls on a daily basis and input any issues and incidents that occurred during the day. Yip signed off on her controls on 24 June 2015 without reporting the incident.
  - (v) **Misrepresentations to Yip’s supervisor**
12. When Yip’s supervisor asked her for her IB and email communications relating to the incident, Yip sent him an email containing an extract of her IB chat with N. Yip omitted the part of the conversation where she made the request to split the Loss.

**Breaches and reasons for action**

13. Section 129 of the SFO provides that, in considering whether a person is fit and proper, the SFC shall have regard to, in addition to any other matter that the

SFC may consider relevant, the person's ability to carry on the regulated activity competently, honestly and fairly, and the reputation, character, reliability and financial integrity of the person.

14. General Principles 1 and 2 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission ("**Code of Conduct**") require licensed or registered persons to act honestly, fairly, with due skill, care and diligence, and in the best interests of their clients and the integrity of the market, in conducting their business activities.
15. Having considered all the circumstances, the SFC is of the view that Yip had:
  - (a) acted dishonestly by attempting to conceal a trade execution error made by her on 24 June 2015 and the consequential loss to BNPPHK, in breach of General Principle 1 (Honesty and fairness) of the Code of Conduct; and
  - (b) failed to comply with BNPPHK's internal guidelines and procedures on the reporting and escalation of material operational incidents, in breach of General Principle 2 (Diligence) of the Code of Conduct.
16. Yip's conduct was intentional and dishonest. The effect of her conduct was to cover up her own mistake and to mislead her supervisor / management about it. Yip failed to provide any reasonable explanations for her various attempts to conceal the incident.
17. In failing to report the incident to management promptly, Yip failed to comply with BNPPHK's internal policies and procedures on the reporting and escalation of material operational incidents. Yip had multiple opportunities to do so on 24 June 2015, but she revealed the incident only in the following morning when her supervisor made specific enquiries.

## **Conclusion**

18. Confidence in the financial market relies, in part, on the trustworthiness of regulated persons. Yip's conduct clearly shows a lack of integrity on her part.
19. The SFC has decided that a prohibition of eighteen (18) months is appropriate and commensurate with the SFC's view on the gravity of Yip's conduct. In coming to the decision to take disciplinary action against Yip, the SFC has taken into account all relevant circumstances, including that:
  - (a) Yip made not just one, but multiple, attempts to conceal the incident.
  - (b) Yip's attempts to conceal the incident were deliberate and dishonest.
  - (c) Yip had more than 12 years of experience in the industry at the time of her misconduct.
  - (d) Yip did not make any personal monetary gains from her misconduct.
  - (e) Yip did not cause any loss to BNPPHK's clients or other investors.
  - (f) Yip has no disciplinary record with the SFC.