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## STATEMENT OF DISCIPLINARY ACTION

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### The Disciplinary Action

1. The Securities and Futures Commission (**SFC**) has prohibited Mr Song Baojun (**Song**)<sup>1</sup> from re-entering the industry for 12 months pursuant to section 196 of the SFO.
2. The SFC's investigation found that when effecting unit trust (**UT**) transactions for a client, Song:
  - (a) used incomplete application forms which were pre-signed by the client to effect 4 UT transactions for her on 16 July 2013 and 19 August 2013 without first having obtained her specific authorization for the transactions; and
  - (b) failed to make adequate disclosure to the client about the cost that would be incurred by using different methods of effecting UT transactions and to advise her to adopt a less costly method to effect 2 transactions on 23 April 2013.
3. Song's conduct was in breach of General Principles 2 and 5, and paragraphs 3.4 and 7.1(a)(i) of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (**Code of Conduct**).

### Summary of Facts

4. Song was a relationship manager of HSBC.
5. On 4 April 2014, a client (**Client X**) lodged a complaint with HSBC alleging, among others, that Song effected certain UT transactions in her account without her authorization.

*Using incomplete and pre-signed application forms to execute 4 UT transactions without first having obtained specific authorization from client*

6. Between 17 June 2013 and 4 September 2013, Client X was out of Hong Kong. Before her departure, she gave Song some incomplete and pre-signed UT application forms so that Song could effect UT transactions for her in case of market fluctuation when she was out of Hong Kong. Song agreed that he would seek Client X's prior approval before using these forms to effect any UT transactions for her.
7. Song used the pre-signed forms given by Client X to effect 4 UT transactions for her on 16 July 2013 and 19 August 2013 when she was out of Hong Kong.
8. WhatsApp messages exchanged between Song and Client X on 16 July 2013 and 19 August 2013 show that Song effected these transactions for

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<sup>1</sup> Song was a relevant individual engaged by The Hongkong and Shanghai Banking Corporation Limited (**HSBC**) to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (**SFO**) between 13 September 2011 and 12 June 2014. Song is currently not registered with the Hong Kong Monetary Authority or licensed by the SFC.

Client X without first having obtained her specific authorization for the transactions.

9. General Principle 2 of the Code of Conduct requires a licensed or registered person to act with due skill, care and diligence, in the best interests of its clients and the integrity of the market, in conducting business activities.
10. Paragraph 7.1(a)(i) of the Code of Conduct provides that a licensed or registered person should not effect a transaction for a client unless before the transaction is effected, the client, or a person designated in writing by the client, has specifically authorized the transaction.
11. The SFC found that Song's conduct of accepting the pre-signed forms from Client X and using such forms to effect the 4 UT transactions for her without first having obtained her specific authorization was in breach of General Principle 2 and paragraph 7.1(a)(i) of the Code of Conduct.

*Failure to provide adequate relevant material information and act diligently in advising client on the cost of effecting 2 UT transactions*

12. On 23 April 2013, Song effected 2 UT transactions for Client X which involved the sale of a UT in Hong Kong dollars (**HKD UT**) and the purchase of another one in Australian dollars. The 2 UTs were the same but in different currencies.
13. Client X agreed to effect these transactions as advised by Song. However, Song did not advise her that another option to effect the transactions was to switch the currency of the HKD UT to Australian dollars, which would involve lower cost.
14. The way Song effected the transactions required Client X to pay approximately HKD5,000 more cost.
15. General Principle 5 of the Code of Conduct requires a licensed or registered person to make adequate disclosure of relevant material information in its dealings with its clients.
16. Paragraph 3.4 of the Code of Conduct provides that when providing advice to a client, a licensed or registered person should act diligently and carefully in providing the advice and ensure that its advice and recommendations are based on thorough analysis and take into account available alternatives.
17. Song failed to inform Client X of the different methods of effecting the UT transactions, and to properly explain to her the cost that would be incurred in each option and advise her to adopt a less costly method to effect the 2 UT transactions on 23 April 2013.
18. The SFC found that Song failed to make adequate disclosure of relevant material information to Client X, and ensure that his advice to her took into account available alternatives, in breach of General Principle 5 and paragraph 3.4 of the Code of Conduct.

## **Conclusion**

19. The SFC is of the view that Song is not a fit and proper person to be a regulated person.

20. The SFC has decided that a prohibition of twelve (12) months is appropriate and commensurate with the SFC's view on the gravity of Song's conduct. In coming to the decision to take disciplinary action against Song, the SFC has taken into account all relevant circumstances, including that:
- (a) Song breached the trust and confidence that his client had placed in him;
  - (b) Song's conduct has demonstrated weak compliance awareness;
  - (c) there is no evidence that Song had obtained any pecuniary benefits as a result of his conduct;
  - (d) a deterrent message needs to be sent to the market; and
  - (e) Song has an otherwise clean disciplinary record.