

SFC reprimands and fines Deutsche Bank Aktiengesellschaft \$1.6 million for regulatory breaches

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The Securities and Futures Commission (SFC) has reprimanded and fined Deutsche Bank Aktiengesellschaft (Deutsche Bank) \$1.6 million for regulatory breaches and internal control failings (Note 1).

The disciplinary action follows an SFC investigation into the failure of Deutsche Bank to disclose to Stock Exchange of Hong Kong Limited (SEHK) the changes to its percentage holdings in the issued share capital of Up Energy Development Group Limited on 27 occasions from 21 January 2011 to 25 August 2011. Three of these 27 occasions involved trading activity by Deutsche Bank; the remainder involved increases to the listed company's total issued share capital (Notes 2 to 7).

The SFC found that Deutsche Bank failed to implement adequate internal controls to ensure its positions in Hong Kong listed companies were properly monitored and disclosed to SEHK in compliance with the disclosure of interests requirements.

In particular, the SFC found that although Deutsche Bank had implemented an electronic position monitoring system to capture and monitor its positions globally, the system did not automatically capture equity positions that were processed and settled under the settlement system used in Singapore in its fixed income division. Deutsche Bank was aware of this limitation but failed to implement adequate procedures or training to guide the relevant business groups at Deutsche Bank to identify and report those equity positions that did not automatically feed into its electronic position monitoring system.

In deciding the penalty, the SFC took into account that Deutsche Bank reported the matter to the SFC and has since strengthened its internal controls on the monitoring and disclosure of its equity positions in Hong Kong listed companies.

End

Notes:

1. Deutsche Bank is a registered institution under the Securities and Futures Ordinance (SFO) to carry on Type 1 (dealing in securities), Type 4 (advising in securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities. Deutsche Bank is also an authorized institution under the supervision of the Hong Kong Monetary Authority.
2. Section 310(1) of the SFO provides that where a person acquires an interest in or ceases to be interested in shares comprised in the relevant share capital of a listed corporation; or where any change occurs affecting a person's existing interest in shares in a listed corporation's share capital, then in the circumstances specified in section 313(1), he comes under a duty of disclosure.
3. Section 311 of the SFO provides that the interests to be disclosed for the purposes of the duty of disclosure arising under section 310 are those in the shares comprised in relevant share capital of the listed corporation concerned.
4. Section 313(1) of the SFO provides that the circumstances referred to in section 310(1) are those where the person: (a) first acquires a notifiable interest; (b) ceases to have a notifiable interest; (c) has a notifiable interest but the percentage levels of his interest have changed; or (d) has a notifiable interest but the nature of his interest has changed.
5. Section 315 of the SFO provides that the notifiable percentage level for notifiable interests is 5% and the specified percentage level for changes to notifiable interests is 1%.
6. Section 324 of the SFO provides, inter alia, that where a person comes under a duty of disclosure under section 310, he should give notification to the listed corporation concerned and SEHK of the interests which he has, or ceases to have, in the shares of the listed corporation. The notification should be given at the same time or, if not practicable, one immediately after the other.
7. Section 325(1)(a) of the SFO provides that notification required by section 324 should be given within three business days after the day on which the relevant event occurs.
8. A copy of the [Statement of Disciplinary Action](#) in relation to the matter is available on the SFC website.