

## SFC Reprimands Bank Consortium Trust Company Limited for Breaches of Investment Restrictions of an ORSO Scheme, Bank Consortium Pooled Retirement Scheme

27 Jan 2005

The SFC has reprimanded Bank Consortium Trust Company Limited (BCT). (Note 1)

BCT is the trustee of Bank Consortium Pooled Retirement Scheme, an authorised ORSO pooled retirement fund. Asia Insurance (Pensions Fund) Limited manages the Guaranteed Portfolio of this ORSO Scheme.

In breach of the Scheme's investment restrictions applicable to the Guaranteed Portfolio, Asia Insurance (Pensions Fund) Limited caused the Portfolio to (a) invest in certain investments without seeking BCT's necessary prior approval, and (b) enter into certain related party transactions in September 2002, again without seeking BCT's prior approval.

BCT did not find out these infringements until Asia Insurance (Pensions Fund) Limited and the SFC informed it about them. BCT failed to detect the unauthorised investments, which took place over a lengthy period, because the compliance checklist it used was deficiently drafted in that it did not reflect the requirement that such investments needed prior approval of the trustee as stated in the Scheme's trust deed.

Also, BCT left it to Asia Insurance (Pensions Fund) Limited to seek its prior approval before conducting related party transactions and making unauthorised investments. As a result, breaches of the investment restrictions were neither prevented nor detected. However, the investments concerned were considered to be consistent with the investment objectives of the Guaranteed Portfolio.

BCT has since improved and strengthened its control procedures on the Guaranteed Portfolio.

On the basis of the above, the SFC concludes that BCT's fitness and properness has been called into question and decides to reprimand it.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "Fund managers manage large sums of money belonging to investors, including money invested in provident funds. There must be proper controls and supervision to prevent any potential abuse of the trust investors place in fund managers."

"Trustees charged with the responsibility of overseeing fund managers must appreciate the important investor protection function that they are expected to perform. They must discharge their duties responsibly and diligently. Weaknesses in their control procedures may expose the provident funds to serious abuse," Mr Linning added.

Ends

Notes to Editor:

1. Bank Consortium Trust Company Limited is a deemed licensee allowed to carry on business in Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance.

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