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## SFC reprimands and fines Bright Smart Securities International (H.K.) Limited

29 Jul 2014

The Securities and Futures Commission (SFC) has issued a reprimand to Bright Smart Securities International (H.K.) Limited (Bright Smart) and fined it \$700,000 for allowing an advertisement which contains false and/or misleading information to be published (Note 1).

The advertisement, which was published in four newspapers and on the website ([www.bsgroup.com.hk](http://www.bsgroup.com.hk)) belonging to Bright Smart from 27 August to 14 September 2013, gave the false impression that the gold bullion business of Bright Smart Securities and Commodities Group Ltd (BS Group) is regulated and that Bright Smart Global Bullion Limited (BS Bullion) is regulated by the SFC when, in fact, gold bullion business is not a regulated activity under the Securities and Futures Ordinance, and BS Bullion is not licensed by the SFC to carry on any regulated activities (Note 2).

Bright Smart is a wholly owned subsidiary of BS Group, a company listed on The Stock Exchange of Hong Kong Limited. BS Bullion is also a wholly owned subsidiary of BS Group and carries on gold bullion business.

The SFC concludes that the fitness and properness of Bright Smart has been called into question.

In deciding the sanctions, the SFC took into account that Bright Smart has co-operated with the SFC in resolving these disciplinary proceedings.

End

Notes:

1. Bright Smart is licensed under the Securities and Futures Ordinance (SFO) to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 7 (providing automated trading services) regulated activities.
2. The information contained in the advertisement does not, however, constitute false or misleading information inducing transactions for the purpose of the market misconduct provisions of the SFO.
3. A copy of the [Statement of Disciplinary Action](#) in relation to the matter is available on the SFC website.

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## STATEMENT OF DISCIPLINARY ACTION

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### The Disciplinary Action

1. The Securities and Futures Commission (SFC) has publicly reprimanded Bright Smart Securities International (H.K.) Limited (**Bright Smart**) and fined it \$700,000 pursuant to section 194 of the Securities and Futures Ordinance.
2. The disciplinary action is taken because Bright Smart has allowed to be published, in a number of newspapers and on the website [bsgroup.com.hk](http://bsgroup.com.hk), an advertisement which contains false and/or misleading information, during the period from 27 August 2013 to 14 September 2013.

### Summary of facts

3. Bright Smart and Bright Smart Global Bullion Limited (**BS Bullion**) are subsidiaries of a Hong Kong listed company, Bright Smart Securities and Commodities Group Ltd. (**BS Group**) (Stock Code 1428).
4. BS Bullion is not licensed by the SFC to carry on any regulated activities. Gold bullion business is not a regulated activity under the Securities and Futures Ordinance (**SFO**).
5. The SFC found that an advertisement containing the following statement was published in 4 newspapers<sup>1</sup> and on the website [bsgroup.com.hk](http://bsgroup.com.hk) (the **Advertisement**) from 27 August to 14 September 2013:

“坊間金業冇皇管，上市耀才有監管！  
(耀才金業為上市大行耀才證券全資附屬，受證監監管)”

Translation:

*“The gold bullion business in the market is not regulated, but the listed company, Bright Smart, is regulated!  
(Bright Smart Bullion is a wholly owned subsidiary of a large listed company Bright Smart Securities, [and is] regulated by the SFC)*

6. The name “耀才金業” (BS Bullion) appeared on the top of the Advertisement and the full name and contact details of Bright Smart appear at the bottom of the Advertisement.
7. Bright Smart is the registered owner of the website [bsgroup.com.hk](http://bsgroup.com.hk). Bright Smart also paid for the publication of the Advertisement.
8. The SFC found that the Marketing Department which served BS Group and all of its subsidiaries was responsible for preparing draft advertisements, which

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<sup>1</sup> Namely, Apple Daily (27 August 2013), Metro Daily (28 August 2013), Oriental Daily (2 and 9 September 2013), and Hong Kong Economic Times (5 September 2013).

were presented to weekly meetings attended by different department heads, including members of Bright Smart's management, for comments. After receiving comments at the weekly meetings, the Marketing Department prepared revised draft advertisements for approval by different department heads. Members of Bright Smart's management were amongst those who approved the final draft of the Advertisement for publication.

9. In its 13 September 2013 response to enquiries by the SFC's Intermediaries Supervision Division (**ISD**) about the Advertisement (by way of a letter to Bright Smart dated 9 September 2013), Bright Smart informed the SFC that although they understood that gold bullion business is not a regulated activity, they thought that, as a listed company, BS Group and its subsidiaries are all regulated by the SFC. Nonetheless, Bright Smart removed the reference to “受證監監管” (regulated by the SFC) from all future advertisements.

### **Reasons for action**

10. Section 129(1)(c) and (d) of the SFO provides that, in considering whether a person is fit and proper, the SFC may consider, 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, where the person is a corporation, the corporation and any officer of the corporation.
11. The Advertisement contained false and misleading information in that it gave the false impression that the gold bullion business of BS Group is regulated and that BS Bullion is regulated by the SFC when, as stated in paragraph 4 above, gold bullion business is not a regulated activity under the SFO, and BS Bullion is not licensed by the SFC to carry on any regulated activities.
12. Although gold bullion business is not part of the business of Bright Smart, the fact that the Advertisement was published on a website belonging to it, and that its full name and contact details appeared on the Advertisement, meant that clients and potential clients of Bright Smart could have been exposed to the Advertisement and the false and/or misleading information contained therein.
13. In the circumstances, Bright Smart's failure to prevent an advertisement that contains false and misleading information to be published casts doubt on its ability to carry on regulated activities competently and its reliability, for the purposes of section 129 of the SFO.

### **Conclusion**

14. Having considered all the circumstances, the SFC concludes that the fitness and properness of Bright Smart as a licensed person has been called into question.
15. In deciding the disciplinary sanction, the SFC has had regard to the SFC Disciplinary Fining Guidelines and taken into account all relevant circumstances, including the false and/or misleading information contained in

the Advertisement may cause members of the public to mistakenly believe that the gold bullion business of BS Bullion is regulated and less risky than the gold bullion business carried out by other firms, the SFC has reprimanded and fined Bright Smart for publishing false and misleading advertisements in November 2004, Bright Smart promptly removed the reference to BS Bullion being “regulated by the SFC” upon ISD’s enquiry, and that Bright Smart has co-operated with the SFC in resolving these disciplinary proceedings.