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SFC bans Masashi Yonezawa for 30 months

14 Oct 2015

The Securities and Futures Commission (SFC) has banned Mr Masashi Yonezawa, a former trader at Nomura International (Hong Kong) Limited (Nomura Hong Kong), from re-entering the industry for 30 months (Notes 1 & 2).

The disciplinary action follows an SFC investigation which found that Yonezawa, a trader on Nomura Hong Kong's Delta One trading desk, made false entries in Nomura Hong Kong's risk management system on three separate days between March and May 2013 to conceal the real risk exposure of his trades.

Yonezawa, who was on secondment from Nomura Securities Co., Ltd in Japan at the material time, also made misrepresentations to his supervisors and the management of Nomura Hong Kong when he explained the trading losses resulting from his trades to them. As a result, Yonezawa's conduct prevented Nomura Hong Kong from effectively monitoring the trading activities of its Delta One trading desk.

In deciding the disciplinary action, the SFC has taken into account all relevant circumstances, including Yonezawa's conduct was deliberate and dishonest, and his remorsefulness for the misconduct.

End

Notes:

1. Yonezawa was licensed under the Securities and Futures Ordinance to carry on Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities and was accredited with Nomura Hong Kong between 31 December 2012 and 6 June 2013. He is currently not licensed by the SFC.
2. The SFC has also taken disciplinary action against Nomura Hong Kong as a result of the same investigation. Please see SFC's press release dated [30 July 2015](#). Yonezawa is the "Mr X" as referred to in the press release.

[A copy of the Statement of Disciplinary Action is available on the SFC website](#)

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證監會禁止Masashi Yonezawa重投業界30個月

2015年10月14日

證券及期貨事務監察委員會（證監會）禁止野村國際（香港）有限公司（野村香港）前交易員Masashi Yonezawa（男）重投業界30個月（註1及2）。

證監會經調查後採取上述紀律處分行動。調查發現當時任職野村香港Delta One交易部交易員的Yonezawa曾於2013年3月至5月期間的其中三日內在野村香港的風險管理系統輸入虛假記項，以隱瞞他的交易的真實風險水平。

在關鍵時間從日本的野村證券株式會社借調至野村香港的Yonezawa，亦在向其上司及野村香港的管理層解釋他的交易所造成的交易虧損時，作出失實陳述。因此，Yonezawa的行為令野村香港無法有效監察其Delta One交易部的交易活動。

證監會在決定採取上述紀律處分行動時，已考慮到所有相關情況，包括Yonezawa的行為是蓄意且有欠誠實，但他對有關失當行為感到後悔。

完

備註：

1. Yonezawa曾根據《證券及期貨條例》獲發牌從事第1類（證券交易）及第2類（期貨合約交易）受規管活動。他在2012年12月31日至2013年6月6日期間隸屬野村香港。他現時並非證監會持牌人。
2. 證監會亦已就同一調查對野村香港採取紀律處分行動。請參閱證監會2015年7月30日的新聞稿。Yonezawa是該份新聞稿所指的“X先生”。

[紀律處分行動聲明載於證監會網站](#)

最後更新日期：2015年10月14日

STATEMENT OF DISCIPLINARY ACTION

The Disciplinary Action

1. The Securities and Futures Commission (**SFC**) has decided to ban Masashi Yonezawa¹ from re-entering the industry for 30 months pursuant to section 194 of the Securities and Futures Ordinance (**SFO**).
2. The disciplinary action is taken because Yonezawa:
 - (a) engaged in improper activities in order to avoid showing the real risk exposure resulting from his trading activities; and
 - (b) misled his supervisors about his trading activities in order to prevent them from discovering his speculative trading.

Summary of facts

3. Yonezawa was a trader on Nomura Hong Kong's Delta One trading desk. He was seconded from Nomura Securities Co., Ltd. in Japan (**Nomura Japan**). His role was to conduct trading for hedging purposes.
4. In a series of communications between June and August 2013, Nomura Hong Kong reported to the SFC that:
 - (a) Yonezawa incurred a loss of US\$3.3 million on his trades on 23 May 2013 and the firm had hence decided to transfer him back to Japan on 5 June 2013;
 - (b) its enquiry revealed that Yonezawa had (i) made manual adjustments in Nomura Hong Kong's risk management system (called Euclid) which had the effect of masking intraday risks resulting from his trades on 7 March 2013, 4 April 2013 and 23 May 2013; and (ii) made misrepresentations to his supervisors and Nomura Hong Kong's management in explaining to them the losses resulting from his trading activities on 4 April and 23 May 2013.

Manual adjustments in Euclid

5. Euclid is Nomura Hong Kong's in-house risk management system used by their front office traders to manage their risks. Trades executed by Nomura Hong Kong's traders are fed into Euclid for risk management purposes.

¹ Yonezawa was licensed under the SFO to carry on Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities and was accredited with Nomura Hong Kong between 31 December 2012 and 6 June 2013. He is currently not licensed by the SFC.

6. Records produced by Nomura Hong Kong showed that on each of 7 March 2013, 4 April 2013 and 23 May 2013, Yonezawa had manually entered a fictitious trade in Euclid during the course of the day in order to cancel out the risks resulting from an actual speculative trade that he had conducted earlier in the day. The fictitious trade was subsequently manually cancelled in Euclid before the end of the day once Yonezawa had unwound the positions resulting from his actual speculative trade.
7. For example, on 7 March 2013, the trades that Yonezawa entered into and the entries that he made in Euclid were as follows:

Time	Activities	Price	Impact on net delta of Delta One desk (US\$ million)
9.01-9.04am	Sold 200 Topix (March) contracts	JPY1009.25	-21.2
9.12am	Manual adjustment in Euclid, long 200 Topix (June) contracts	JPY1002.5	+21.1
9.29am	Sold 5 Topix (March) contracts	JPY1011.5	-0.5
9.29-10.03am	Bought 205 Topix (June) contracts	Average at JPY1001.58	+21.6
10.03am	Manual adjustment in Euclid, cancelling long 200 Topix (June) contracts	JPY1002.5	-21.1

8. At the start of the day, the Delta One trading desk had a long position of 205 Topix (March) contracts. Yonezawa needed to roll the Topix (March) contracts to Topix (June) contracts and so he sold 200 Topix (March) contracts (at 9.01-9.04am). He then wanted to buy back Topix (June) contracts but the market went up, so he wanted to wait until the market went back down before he bought. However, in the meantime, he did not want the delta risk resulting from his sale of the 200 Topix (March) contracts to show in Euclid, therefore, he made a manual adjustment in Euclid (at 9.12am) to cover up the delta risk. When the market went back down after 9.29am, he bought back his target level of Topix (June) contracts and cancelled the manual adjustment in Euclid that he had made earlier.
9. Yonezawa explained that he made the manual adjustments in Euclid because he did not want his other team members and his supervisor to know that he had taken delta risk. It was his understanding, from knowing his team members' trades, that his team did not take delta risk.
10. Yonezawa cancelled the manual adjustment (at 10.03am) after he had bought back Topix (June) contracts because if he did not do so, the risk management team would have found out about it when they performed reconciliation at the end of the day.

11. Similar fictitious entries were made, and subsequently cancelled before day end, in Euclid by Yonezawa on 4 April and 23 May 2013, for similar reasons.

Misrepresentations to supervisors and management

12. Yonezawa's speculative trading activities resulted in losses on 4 April and 23 May 2013.

13. An error report with respect to his trading activities on 4 April 2013, which was approved by his supervisor, was submitted to Nomura Hong Kong's management. The error report explained the trading loss ensuing from Yonezawa's speculative trading activities on that day as the result of an error, when in fact, it was not.

14. Our investigation found that Yonezawa had either provided a false explanation to his supervisor with respect to his trading loss on 4 April 2013, or found that his supervisor had misunderstood his explanation for his trading activities on 4 April 2013 (and, therefore, the description in the error report was incorrect), and yet, he refrained from clarifying the matter with his supervisor because he considered it preferable to explain the trading loss he made that day as the result of an error than to explain it as the result of speculative trades that he had undertaken.

15. With respect to the trading loss on 23 May 2013, Yonezawa deliberately made misrepresentations to his supervisors about the causes for the trading loss in order to mislead them into believing that the net delta resulting from his trading activities was smaller than it actually was.

Breaches and reasons for action

16. Section 129 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 the person.

17. Yonezawa's conduct in making fictitious entries in Euclid in order to conceal the real risk exposure resulting from his trading activities was deliberate and dishonest. His action prevented Nomura Hong Kong from monitoring the trading activities of its Delta One trading desk.

18. Yonezawa's dishonesty is further exemplified by the fact that he misled his supervisors about his trading activities in order to prevent them from discovering his speculative trading.

Conclusion

19. Confidence in the financial market relies, in part, on the trustworthiness of licensed persons. Yonezawa's conduct clearly shows a lack of integrity on his part. The dishonest nature of his conduct also demonstrates that he presents a risk to confidence in the financial market.
20. In deciding the disciplinary sanction, the SFC has taken into account all relevant circumstances, including that Yonezawa's conduct was deliberate and showed a lack of honesty we expect from licensed persons. The SFC has also taken into account the fact that he had no personal monetary gain from, and is remorseful for, his conduct.