HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C

23 June 2020

The Chief Executive
All Authorized Institutions

Dear Sir / Madam,

Complaints Watch

The Hong Kong Monetary Authority (HKMA) has today published the fifteenth issue of its Complaints Watch.

Complaints Watch is a periodic newsletter prepared by the HKMA to share with the banking industry information on complaints received by the HKMA. It highlights the latest complaint trends, emerging topical issues, and shares good practices that authorized institutions (AIs) may find helpful. It forms part of the HKMA's work to promote proper standards of conduct and prudent business practices among AIs.

A copy of the fifteenth issue of the Complaints Watch is enclosed for your perusal. You may wish to forward it to members of your institution who have responsibilities for the selling of retail and investment products, risk management, compliance and complaint handling for reference.

If there are any questions on the above, please contact Mr Gabriel Ho on 2878 7504 or Ms Mimi Chow on 2878 7549.

Yours faithfully,

Carmen Chu
Executive Director (Enforcement and AML)

Encl.

HONG KONG MONETARY AUTHORITY
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Complaints Watch

Issue No. 15
23 June 2020

Complaints Watch is published by the Complaint Processing Centre (CPC) of the Hong Kong Monetary Authority (HKMA). It highlights the latest complaint trends, emerging topical issues, and areas that banks may wish to place greater focus on. It forms part of the HKMA's work to promote proper standards of conduct and prudent business practices among banks.

Complaint statistics

Jan 2020 to May 2020	General banking services	Conduct-related issues	Total
In progress as of 31 Dec 2019	**298**	**92**	**390**
Received during the period	838	103	**941**
Completed during the period	**(719)**	**(74)**	**(793)**
In progress as of 31 May 2020	417	121	**538**

The HKMA received 941 complaints between January 2020 and May 2020. The major types of complaints received were related to provision of banking services (281), service quality (101), remittance services (67), lending business / decisions (66), alleged mis-selling (63), and credit card transactions (55).

Fabrication of clients' signatures

Upholding high ethical standard in the banking industry is vital to maintaining customer confidence. It has come to the attention of the HKMA that in some instances, due to mistake or omission in relation to a client's signed instructions, and instead of asking the client concerned to sign again on the proper document, the bank staff concerned has fabricated client's signature by copying and pasting the signature from the "wrong" document.

In one case, the bank staff mistakenly provided the client with a wrong instruction form on which the client had signed. While the mistake had been identified and advised by the bank's control function for rectification actions, the bank staff concerned did not approach the client but photocopied the client's signature from the wrong instruction form, pasted the photocopied signature onto the correct form and arranged to fax the latter form to the bank to pretend that it was a fax instruction from the client.

In another case, the client intended to set up direct debit instruction. The bank staff concerned subsequently found out that only one page of the direct debit authorization form was signed by the client, while signature was missing on the other page of the form. Instead of contacting the client to sign on the form again, the bank staff cut the client's signature and pasted it on the page with missing signature, made a copy of this page, filled in the necessary information and composed a complete set of direct debit authorization form for further processing by the bank.

In both cases, the banks concerned have discovered the incidents and stopped processing those documents with fabricated client signatures. While in these cases it was the client's intention to provide a due instruction to the bank and the objectives of the bank staff's acts were not to receive any pecuniary advantage but for convenience, financial regulators including the HKMA take a serious view of such improper acts which in substance were attempts to deceive those parties receiving and handling the documents.

The acts of the bank staff concerned in the above incidents demonstrate a lack of honesty and integrity and call into question their fitness and properness. Banks and their staff should note that disciplinary actions have been taken by the HKMA and the Securities and Futures Commission (SFC) over the years against fabrication or copying and pasting of client signatures by bank staff. Banks are expected to include these examples in their staff training and highlight the importance of conducting business with honesty and integrity, and that "shortcuts" could have serious consequences and simply should not be taken.

Concealment of personal securities accounts and transactions

The HKMA revealed from its investigation that a bank staff failed to disclose his personal securities accounts, and did not obtain prior approval or report his securities trading to the employing bank for a prolonged period of time. This bank staff also repeatedly made false declarations to the employing bank that he had no personal securities accounts. Through investigation, it was found that one of the securities traded during the period was indeed on the list of restricted securities of the employing bank at the material time.

The bank staff, as a regulated person, disregarded his employing bank's staff dealing policies and procedures which were implemented for compliance with the relevant regulatory requirements[1]. In doing so, the employing bank was deprived of the opportunity to monitor trading activities of this staff member for identifying and preventing any potential conflicts of interest arising from such activities. Similar dishonest acts have resulted in disciplinary actions taken by the HKMA and the SFC over the years.

Banks are expected to reiterate to their staff the importance of compliance with personal trading policies and procedures as it is key to promoting investor protection and market fairness. Banks should also implement adequate controls to ensure that their staff fully understand and comply with these policies and procedures, which will enable effective prevention and detection of conflicts of interest and market malpractices.

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1 Paragraph 12.2 of the Code of Conduct for Persons Licensed by or Registered with the SFC requires registered institutions to implement procedures and policies on employee trading and to actively monitor the trading activities in their employees' own accounts and related accounts.

Comments and feedback on *Complaints Watch* are welcome. Please email them to *bankcomplaints@hkma.gov.hk*.