

Guosen Securities	BL0201 – Equities	
EL0402 – Improper Business or Market Practices	CNY – 105,000,000.00 LOSS	CNY – Yuan Renminbi
CN – CHINA	Asia / Pacific	

Guosen Securities ordered to pay CSRC CNY 105 million over role in 2015 Chinese stock market rout

Guosen Securities has been fined CNY 105 million (USD 15.2 million, EUR 13.6 million) by the China Securities Regulatory Authority (CSRC) for its role in the 2015 Chinese stock market rout which saw USD 5 trillion of market value wiped out in a few weeks. Two other brokers, Citic Securities and Haitong Securities, were also fined.

According to the regulator, the brokers violated margin financing and securities lending rules in relation to trades they conducted with Citadel Securities during the market rout. Citic failed "to execute business contracts with its customers in accordance with the relevant provisions" the South China Morning Post reports.

Citic provided credit account services to Citadel (Shanghai) Trading Company, a unit of Citadel Securities, although the company had not held an active account with the brokerage for at least six months beforehand as required. Guosen Securities also violated this rule, the Financial Times reports, which is intended to prevent new investors from engaging in margin trading and short selling.

Haitong Securities was found to have made a false disclosure when opening a margin trading account for Citadel, enabling it to circumvent the six-month rule.

Citadel (Shanghai) was banned by the Shenzhen Stock Exchange during the 2015 stock market rout due to opening a large number of accounts for financing and securities lending. At the time, Chinese regulators blamed the rout on "malicious short sellers", particularly high-frequency traders engaging in "spoofing". This is a practice in which a trader submits a buy or sell order but quickly withdraws it to give a false impression of an asset's trading price.

Citadel Securities has never been accused of wrongdoing, and said it has followed all local laws.

According to an analyst quoted by the South China Morning Post, the penalty Citic received was smaller than expected. Seven senior managers from the bank were investigated by police in August 2015, including president Cheng Boming.

Guosen and its futures unit was fined a total of CNY 105 million and some of its executives were fined an unspecified amount. Citic was fined CNY 308.3 million and had CNY 61,660,000 of illegal proceeds confiscated by the CSRC. Two executives, Da Xinya and Song Cheng, were each fined CNY 100,000. Haitong Securities was fined CNY 3 million and its executives were also fined.

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Last Update: 11:08 - 31/May/2017

Source(s): http://www.scmp.com/business/banking-finance/article/2095644/chinas-securities-regulator-fines-top-brokerages-breach https://www.ft.com/content/33589fe0-412e-11e7-9d56-25f963e998b2 http://www.globaltimes.cn/content/1048708.shtml	Related Articles Citic Securities ordered to pay CSRC CNY 370 million over role in 2015 Chinese stock market rout
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Event	Published in Media 25/May/2017	Date of Occurrence – From N/A	Date of Occurrence – To N/A	Discovery Date N/A	Date of Recognition / Settlement N/A
Loss Amount USD USD 15,236,550.00	Loss Amount EURO EUR 13,618,500.00	Provision No	Boundary Risk Other Risk		
Industry Event N/A	Scenario REGBCH - Regulatory Breach	Product PD0302 - Equities	Process PC1501 - Policies, Governance & Monitoring		
Parent Company N/A	ORX Member No	Role of Firm LS0307 - Position Taking (Principal)	AMA Status N/A		
Cause 1 CS0403 - Inadequate Policy / Procedure	Cause 2 N/A	Cause 3 N/A			
Counterparty LS0211 - Regulator	Jurisdiction / Choice of Law LS0103 - Rest of the World	Environmental Volatility LS0406 - Not Identifiable			