

STATEMENT OF DISCIPLINARY ACTION

The Disciplinary Action

1. The Securities and Futures Commission (**SFC**) has publicly reprimanded and fined Optimas Capital Limited (**Optimas**)¹ HK\$1.05 million pursuant to section 194 of the Securities and Futures Ordinance (**SFO**).
2. The disciplinary action is taken in respect of Optimas' failure to ensure the short position reports (**SPRs**) it prepared and submitted to the SFC between 23 June 2017 and 9 July 2018 (**Relevant Period**), in relation to a collective investment scheme (**CIS**) under its management, were accurate and compliant with the requirements under the Securities and Futures (Short Position Reporting) Rules (**SPR Rules**).

Regulatory Requirements regarding SPRs

3. Under rules 4(1) and 4(2) of the SPR Rules, a person who has a reportable short position in any specified shares at the close of trading on The Stock Exchange of Hong Kong Limited on the last trading day of each week must notify the SFC of the position within two business days.
4. Rules 3(1) and 3(2)(b) of the SPR Rules further stipulate that a person has a reportable short position if the net short position value the person holds in a specified share is equal to or more than the lower of (i) HK\$30 million; and (ii) 0.02% of the value of the total number of the specified shares issued (**0.02% Threshold**).

Summary of Facts

5. During the Relevant Period, a total of 350 reportable short positions held by the CIS have been omitted from 56 SPRs submitted by Optimas to the SFC².
6. These errors in the SPRs occurred as a result of a programming mistake (**Mistake**) in a script (**Script**) created to automate the process of identifying short positions held by the CIS in order to filter out those that were reportable.
7. In particular, the reporting criteria in the Script had mistakenly been set as below the 0.02% Threshold (instead of equal to or above the 0.02% Threshold as stipulated by the SPR Rules). This led Optimas to have reported all net short positions in specified shares held by the CIS that were equal to or above HK\$30 million in value and/or below the 0.02% Threshold, while failing to include in the SPRs short positions that were equal to or above the 0.02% Threshold, throughout the Relevant Period.

¹ Optimas is licensed under the SFO to carry on business in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

² In addition, whilst it did not constitute a breach of the SPR Rules, a total of 556 short positions that were not reportable were included in these 56 SPRs.

8. The Mistake arose under the following circumstances:
 - (a) The Script was built in June 2017 by Optimas' then Operations Manager (**Manager**), who inadvertently misprogrammed the Script.
 - (b) When the Script was implemented, the Manager was the only member of Optimas' operations team and was the sole person in charge of preparing SPRs for the CIS, with no second review during the preparation process and at best minimal supervision from the management of Optimas (**Management**).
 - (c) The Manager did not inform the Management that he had implemented the Script. As a result, the Management was not prompted to conduct any testing on the Script's reliability.
9. The Mistake was not discovered until July 2018 after the Manager resigned from Optimas, when his successor in Optimas for preparing SPRs double-checked the formulas contained in the Script. If not for the inadequate supervision and review over the work of the Manager and his preparation process of SPRs, the Mistake should have been uncovered and rectified by Optimas much more promptly.
10. While the statutory obligation to make SPRs falls on the CIS (instead of Optimas) under the SPR Rules, Optimas was found to have prepared and submitted SPRs on behalf of the CIS during the Relevant Period.

Conclusion

11. The SFC considers that Optimas had failed to act competently to ensure the SPRs it prepared would be accurate and compliant with the applicable requirements under the SPR Rules.
12. In reaching the decision to take the disciplinary action set out in paragraph 1 above, the SFC has taken into account all relevant circumstances, including Optimas' prompt remedial actions and cooperation with the SFC in resolving the SFC's concerns and its otherwise clean disciplinary record.