

# SEC Charges HSBC's Swiss Private Banking Unit With Providing Unregistered Services to U.S. Clients

## **FOR IMMEDIATE RELEASE** **2014-266**

*Washington D.C., Nov. 25, 2014* — The Securities and Exchange Commission today charged HSBC's Swiss-based private banking arm with violating federal securities laws by failing to register with the SEC before providing cross-border brokerage and investment advisory services to U.S. clients.

HSBC Private Bank (Suisse) agreed to admit wrongdoing and pay \$12.5 million to settle the SEC's charges.

"HSBC's Swiss private banking unit illegally conducted advisory or brokerage business with U.S. customers," said Andrew J. Ceresney, Director of the SEC's Division of Enforcement. "HSBC Private Bank's efforts to prevent registration violations ultimately failed because their compliance initiatives were not effectively implemented or monitored."

According to the SEC's order instituting settled administrative proceedings, HSBC Private Bank and its predecessors began providing cross-border advisory and brokerage services in the U.S. more than 10 years ago, amassing as many as 368 U.S. client accounts and collecting fees totaling approximately \$5.7 million. Personnel traveled to the U.S. on at least 40 occasions to solicit clients, provide investment advice, and induce securities transactions. These relationship managers were not registered to provide such services nor were they affiliated with a registered investment adviser or broker-dealer. The relationship managers also communicated directly with clients in the U.S. through overseas mail and e-mails. In 2010, HSBC Private Bank decided to exit the U.S. cross-border business, and nearly all of its U.S. client accounts were closed or transferred by the end of 2011.

According to the SEC's order, HSBC Private Bank understood there was a risk of violating the federal securities laws by providing unregistered broker-dealer and investment advisory services to U.S. clients, and the firm undertook certain compliance initiatives in an effort to manage and mitigate the risk. The firm created a dedicated North American desk to consolidate U.S. client accounts among a smaller number of relationship managers and service them in a compliant manner that would not violate U.S. registration requirements. However, relationship managers were reluctant to lose clients by transferring them to the North American desk. HSBC Private Bank's internal reviews revealed multiple occasions when U.S. accounts that were expected to be closed under certain compliance initiatives remained open.

The SEC's order finds that HSBC Private Bank willfully violated Section 15(a) of the Securities Exchange Act of 1934 and Section 203(a) of the Investment Advisers Act of 1940. HSBC Private Bank agreed to admit the facts in the SEC's order, acknowledge that its conduct violated the federal securities laws, and accept a censure and a cease-and-desist order. The firm agreed to pay \$5,723,193 in disgorgement, \$4,215,543 in prejudgment interest, and a \$2.6 million penalty.

The SEC's investigation was conducted by Matthew R. Estabrook and David S. Karp, and the case was supervised by Laura B. Josephs. The SEC appreciates the assistance of the Swiss Financial Market Supervisory Authority.

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## Related Materials

- [SEC order](#)