JPMorgan Asia Units Fined for Regulatory Breaches in Hong Kong

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- Fines total HK$30 million after firm cooperates with probe
- Breaches from 2010 to 2013 included naked short-selling

JPMorgan Chase & Co. units were fined HK$30 million ($3.9 million) in Hong Kong for regulatory breaches by the firm's institutional equities business between 2010 and 2013, including breaking a ban on so-called naked short-selling.

Failures connected with principal trading and dark liquidity pool trading also occurred, the Securities and Futures Commission said in a statement on Tuesday.

Between May 2010 and February 2013, mistakes in aggregating positions to determine whether they were net long or net short resulted in more than 41,000 uncovered short-sale trades being wrongly conducted as long-sale trades, the SFC said. In Hong Kong, "naked" or "uncovered" short selling, where investors short sell a security before borrowing it, is prohibited.

"We have fully co-operated with the SFC and are pleased to have resolved these legacy issues in relation to certain aspects of our systems and controls in the institutional equities business in Hong Kong," Marie Cheung, a JPMorgan spokeswoman, said in an e-mail. "The firm has strengthened its internal systems and controls to ensure compliance with the prevailing rules and regulations."

Among other deficiencies described by the SFC:

* A sample review revealed that 34 percent of short-selling orders in May 2012 from two JPMorgan units for principal trading lacked the appropriate "documentary assurance."

* Between January 2011 and December 2012, JPMorgan lacked adequate systems and controls to prevent

client facilitation trades being executed without client consent.

* Agency orders were wrongly mixed with principal orders in dark liquidity pool operations.

The penalties took into account JPMorgan's cooperation and clean disciplinary record, the regulator said.

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Ex-Goldman Macro Trader Lim Reopens $1.1 Billion Hedge Fund

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- Leland Lim's Guard macro hedge fund returned 8.1% in 2015
- Guard hires former Asia head of Roubini Global Economics

Guard Capital Management, the Hong Kong-based firm led by former Goldman Sachs Group Inc. trader Leland Lim, reopened its macro hedge fund to new investors this month after outperforming peers in 2015, said a person with knowledge of the matter.

The company also hired Don Hanna, who ran the Asia office of Roubini Global Economics, and Michael Stenske, a former Ernst & Young partner, said the person, who asked not to be identified as the information is private. Guard's fund returned 8.1 percent last year, said two people familiar with the firm. Since its inception in August 2014, investor inflows helped assets surge from $50 million to $1.1 billion, the people said.

Guard outperformed in a year when many funds seeking to profit from broad trends in the currency, stock, bond and commodity markets stumbled, including Brevan Howard Asset Management, whose main macro hedge fund lost money in 2015. Macro hedge funds on average gained 1.7 percent last year, according to preliminary data from Singapore-based Eurekahedge Pte.

Concentrated Bets

Guard is known for concentrated bets on currencies and interest rates, making both long-term investments based on fundamental analysis and shorter-term tactical moves. It stopped taking money from new investors in July, while allowing existing investors to add deposits, after assets soared 18-fold in its first year.

Lim, a former co-head of Asia-Pacific macro trading at Goldman Sachs, co-founded Guard with Allan Bedwick, who led such trading for Singapore-listed commodity trader Noble Group Ltd. Lim didn't reply to an e-mail seeking comment.

As assets have grown, Guard hired Hanna for its research team, said one of the people. Hanna, who had most recently worked at the research firm chaired by economist Nouriel Roubini, had previously been a managing director of New York-based alternative investment firm Fortress Investment Group LLC.

Guard hired Stenske as its chief financial officer, according to the person and Stenske's LinkedIn profile. The two, plus three other research and trading hires, will expand staff size to 15 by early next month, said the person. The other new hires include Fiona Lake, previously a global markets economist at Goldman Sachs, Wang Daili, an economist who worked with Hanna at Roubini Global Economics and Harry Carsch, a trader who joined from Civic Capital Advisors.

Challenging Market

Widely anticipated trends such as the strengthening of the greenback against the euro, yen and emerging-markets currencies played out in 2015, Anthony Lawler, a money manager at GAM Holding, which invests in hedge funds, wrote in a Dec. 14 note. Yet "the volatility, choppiness and crowdedness along the way proved challenging, manifesting in some losses from risk-management trading and related trade timing," he added.

Michael Platt's $8 billion BlueCrest Capital Management announced in December that it was returning all client money to focus on managing wealth of Platt and his employees after billions of dollars in withdrawals and poor returns. BlackRock Inc., the world's largest asset manager, Fortress Investment Group LLC and Bain Capital have also shut down macro hedge funds after losses and as redemptions eroded assets.

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