



KK Ho appeared out of nowhere last year on the Royal Bank of Scotland Group Plc's London trading floor.

He had freshly printed business cards identifying himself as a bond salesman. He met with customers and impressed executives in internal meetings with his talk about rich clients he knew, according to two people familiar with the matter.

Then, just as suddenly, he was out the door several months later after bank managers began asking questions about him, questions that led to the realization that he wasn't a bond salesman after all, the people said.

RBS, Britain's biggest publicly owned lender, informed regulators but otherwise kept the matter private, according to another person familiar with the matter. Some details became public when another bank executive mentioned it in a complaint he filed over an employment dispute.

Ho had been a manager in RBS (RBS) property services facing a layoff, and was given a desk to help him find a new position, according to the three people, who asked not to be identified because they weren't authorized to discuss it. Ho wasn't assigned to a team, had no manager and wasn't authorized to sell securities or meet clients.

Banks, plagued by probes into interest-rate manipulation and improper sales of insurance and derivative products, remain vulnerable to compliance failings in unexpected places. Edinburgh-based RBS is trying to reinvent itself as a smaller, retail-focused lender after it received a 45 billion-pound (\$69 billion) bailout at the height of 2008 financial crisis.
Human Error

"This is a story of basic human error at many levels," said James Carlton, a regulatory lawyer at Fox Williams LLP in London. "It's difficult to understand how those in senior and management roles both on the trading floor and in human resources could have overlooked such a situation."

Sarah Small, a spokeswoman for the bank in London, said RBS identified a situation where an employee acted outside his given role.

“As soon as this was detected, it was fully investigated, and appropriate actions taken,” she said in a statement. “We found no regulated activity was performed by this individual.”

A former RBS employee named KK Ho, when reached by telephone, said he wasn't the person at the center of the probe. “That's not me,” he said.

He said he worked in strategy and risk at RBS, and couldn't talk about his time there because of a legal agreement with the bank.

Employment Tribunal

The case came to light in an employment tribunal lawsuit filed by a former RBS trader, Alex Mallinson, who claimed he was unfairly fired after being accused of manipulating internal pricing systems.

In a witness statement given to the London tribunal in February, Mallinson described an incident that led the compliance department to treat employees more harshly.

The bank “uncovered a situation where an RBS premises (building maintenance) worker had infiltrated the trading floor” and “posed as a senior bond salesman,” he said in the statement.

“Once the situation was uncovered it was dealt with very swiftly, but the fallout was substantial.” The compliance department was reprimanded and the incident “sent a number of very senior managers that had been fooled into thinking this individual was a top salesman, into a tail-spin,” Mallinson said.

An employment judge ruled in May that while Mallinson was unfairly treated by the bank, he contributed to his own dismissal by breaching RBS valuation procedures. The judge didn't decide on damages, or mention the salesman.

Wealthy Contacts

While the tribunal documents didn't identify the individual, five people familiar with the matter said his name was KK Ho. Ho told traders he had wealthy contacts they could deal with, and was discovered when managers began asking who among them was his supervisor.

RBS reported the incident to the U.K. markets regulator, then known as the Financial Services Authority, and no violations were uncovered, a person familiar with the matter said.

Peter Nielsen, co-chief executive officer for RBS's markets business, and John Hourican, the bank's former chief executive officer for markets and international banking, were both aware of the internal probe, one of the people with knowledge of the investigation said.

Bankers selling investments or advising on them in the U.K. need to be approved by the FSA, which was replaced by the Financial Conduct Authority this year. Lara Joseph, a spokeswoman for the FCA, declined to comment on the matter.

Portfolio Manager

A LinkedIn page for a man named KK Ho said he worked for RBS from December 2003 to April 2012 as a “Real Estate and Manufacturing Portfolio Manager.” Before that he was an infrastructure services and facilities director at property group Jones Lang LaSalle Inc. (JLL), according to the page.

The page also said that Ho has degrees from University College London and is a director of TKS Services.

University College London confirmed in an e-mail that it awarded degrees in architecture and town planning to a man named Kah Kui Ho. A listing on the U.K. companies registry for TKS Service identifies Kah Kui Ho, a 58-year-old Singapore native, as a director.

When reached by phone, the KK Ho identified on the LinkedIn page said he had no connection to the events described in Mallinson’s lawsuit. He now works at London-based Beehive Capital LLP as a private equity director and fund manager, according to his LinkedIn page.

Plans for RBS

The British government, which owns 81 percent of RBS, is considering breaking up the lender to offload its weaker assets. Stephen Hester, the chief executive officer, who plans to step down in December, has shrunk its balance sheet by 900 billion pounds and cut 41,000 jobs since taking over in 2008.

Operating profit at RBS’s core businesses fell 17 percent to 2.46 billion pounds in the first half of the year, the bank announced Aug. 2. It named Ross McEwan, the head of its U.K. consumer unit, as new chief executive officer.

Even without regulatory breaches, the incident will have led to “considerable concern and acute embarrassment” for executives and traders who attended sales meetings with Ho, said Carlton, the Fox Williams lawyer. “Now is clearly the time for RBS to focus root and branch on its systems and controls.”

The employment tribunal case is: Mallinson v Royal Bank of Scotland Plc, at the Central London Employment Tribunal, Case No. 2203609/2012.