

STATEMENT OF DISCIPLINARY ACTION

The Disciplinary Action

1. The Securities and Futures Commission (**SFC**) has suspended Hui Lam Chiu (**Hui**), former responsible officer of Guoyuan Securities Brokerage (Hong Kong) Limited (**Guoyuan**), for a period of 6 months pursuant to section 194 of the Securities and Futures Ordinance (**SFO**).

Summary of facts

2. Hui was licensed under the SFO to carry on Types 1 (dealing in securities) and 4 (advising on securities) regulated activities and was accredited to Guoyuan between 28 August 2008 and 25 June 2012. Hui is currently accredited to another licensed corporation.
3. The SFC found that between September 2010 and July 2012 (**Relevant Period**), Guoyuan was in breach of the anti-money laundering guidelines in failing to:
 - (a) conduct proper enquiries and sufficient scrutiny on a significant number of transactions involving third party fund deposits and withdrawals (**Third Party Transactions**) which were large, frequent, unusual and/or suspicious and/or adequately record enquiries which were allegedly made on these transactions;
 - (b) ensure activities in clients' accounts were consistent with the clients' net worth/annual income as stated on their account opening forms; and
 - (c) properly implement and communicate policies and procedures regarding anti-money laundering and counter-financing of terrorism to relevant staff members.¹
4. Hui was the responsible officer and senior management officer responsible for handling and approving Third Party Transactions at Guoyuan during the Relevant Period. He was also one of the personnel responsible for ensuring that the Third Party Transactions were in compliance with anti-money laundering requirements.
5. The SFC found that Guoyuan's failures as set out in paragraph 3 above were partly attributable to Hui's failure to discharge his duties as a responsible officer and a member of Guoyuan's senior management. Hui failed to ensure that Guoyuan took all reasonable measures to mitigate the risks of money laundering and terrorist financing during the Relevant Period. Specifically:
 - (a) Hui failed to ensure that Guoyuan conducted proper enquiries and followed up on suspicious transactions. Hui was the gatekeeper for approving Third Party Transactions. Transactions which were approved by Hui would be executed by Guoyuan's Finance Department. Despite the presence of a number of red flags suggesting that some of the Third Party Transactions were unusual and/or potentially suspicious, and the concerns raised by the Compliance officer as to whether it was appropriate for Guoyuan to handle those transactions, the transactions were just routinely approved by Hui and executed by Guoyuan following his approval. Although Hui claimed that

¹ See the SFC's press release dated 5 April 2017

he had carefully reviewed the Third Party Transactions and had made enquires, the SFC's investigation revealed that Hui had no information and had not made enquiries with the clients as to the nature of the transactions before approving them.

- (b) Hui was partly responsible for Guoyuan's failure to properly implement policies and procedures regarding anti-money laundering and counter-financing of terrorism as he failed to ensure that Guoyuan's procedures for dealing with Third Party Transactions were effectively employed to ensure that the risks of money laundering could be mitigated.

6. In light of the above failures, the SFC concluded that Hui failed to:

- (a) comply with, and implement and maintain appropriate measures to ensuring compliance with the law and all regulatory requirements applicable to the conduct of his business activities, in breach of General Principle 7 of the Code of Conduct; and
- (b) manage the risks associated with Guoyuan's business and properly discharge his responsibility as a responsible officer and and a member of senior management of Guoyuan as required under General Principle 9 and paragraph 14.1 of the Code of Conduct.

Conclusion

7. Having considered all the circumstances, the SFC is of the view that Hui was guilty of misconduct and his fitness and properness to carry on regulated activities have been called into question.

8. The SFC has decided that the sanction set out in paragraph 1 above is appropriate after taking into account all relevant considerations including:

- (a) Hui was the gatekeeper for approving the Third Party Transactions and a key senior management personnel responsible for ensuring that the Third Party Transactions were in compliance with anti-money laundering requirements;
- (b) Guoyuan's failures in relation to the handling of Third Party Transactions were partly attributable to Hui's failure to discharge his duties as a responsible officer and a member of Guoyuan's senior management;
- (c) Hui's misconduct lasted for more than a year;
- (d) Hui cooperated with the SFC in resolving the SFC's concerns; and
- (e) Hui has an otherwise clean disciplinary record.