

Highlights

In August 2006, the SFC:

- prosecuted two companies and five people;
- disciplined one licensee;
- issued a restriction notice against a company; and
- obtained an interim Mareva injunction against two responsible officers of a company.

Prosecution

Bank staff convicted of unlicensed dealing

Ms Wu Mei Mui, a bank executive of DBS Bank (Hong Kong) Ltd pleaded guilty to engaging in securities dealing whilst unlicensed.

Wu accepted clients' telephone orders to trade in securities and relayed those orders to the bank's dealing room for execution between 9 November 2004 and 9 March 2005. Wu was never licensed with the SFC or registered with the Hong Kong Monetary Authority as a relevant individual. Wu was fined \$1,000.

(Press release issued on 3 August 2006)

People performing regulated activities are required to be either licensed as a representative with the SFC or registered as a relevant individual with the HKMA. This is the second conviction of bank employees for dealing in securities without a licence or registration. Management of registered institutions, which include banks, are reminded to ensure that their employees are properly licensed or registered when conducting regulated activities.

Conviction for cold calling

Mr Chu Soi Pio pleaded guilty to making unsolicited calls. In May and December 2004, Chu, a licensed representative of Hantec International Ltd, telephoned two people who were not clients of Hantec and offered to make agreements with them with a view to inducing them to sell or purchase leveraged foreign exchange contracts at Hantec. Chu was fined \$10,000 and ordered to pay the SFC's investigation costs.

(Press release issued on 3 August 2006)

Making unsolicited calls to induce a person to purchase SFC regulated products is a criminal offence. Trading in financial products poses financial risks and investors should be given time to make informed decisions before they agree to invest. Licensed persons must not engage in marketing efforts and techniques that contravene the law.

Prosecutions for misleading the SFC

Mr Mak Ka Bo Alex and Ms Yip Kit Yin Angela pleaded guilty to providing misleading information to the SFC. Mak was the account executive of Yip, who was identified as a suspected trader in an SFC market manipulation investigation. Both Mak and Yip misled SFC investigators as to the true beneficial owner of the trading account under Yip's name. Mak was fined \$10,000 and Yip \$5,000. Both were also ordered to pay the SFC's investigation costs.

(Press release issued on 10 August 2006)

Failing to give complete, accurate and true answers when attending SFC interviews is a criminal offence. The SFC will prosecute, and when relevant discipline, people who obstruct its investigations by lying or not co-operating.

Prosecutions for failure to disclose interests

Power Hero International Ltd and Victoria Treasure International Ltd each pleaded guilty to failing to notify SEHK and Cheung Tai Hong Holdings Ltd within the specified period after they sold their shares in Cheung Tai Hong. The two companies were each fined \$4,000 and ordered to pay the SFC's investigation costs.

(Press release issued on 24 August 2006)

Mr Chang Wing Yiu, an executive director of Kingboard Chemical Holdings Ltd, pleaded guilty to failing to notify SEHK and Kingboard of his deemed interests in his wife's interests in Kingboard shares within the specified period. Chang became aware of his wife's trading in Kingboard shares in November 2005 but only made the disclosures two months later. Chang was fined \$40,000 and ordered him to pay the SFC's investigation costs.

(Press release issued on 31 August 2006)

Timely disclosure of interests in listed companies aims to ensure a transparent and better informed market. It also helps limit the potential for insider dealing. The SFC will in accordance with its disclosure of interests enforcement policy, prosecute people who fail to disclose according to Part XV of SFO (The policy is available on the SFC website at www.sfc.hk).

Discipline

Reprimand and fine for inaccurate FRR returns and supervisory failures

The SFC reprimanded Mr Wong Tin Lai, the financial controller of Guotai Junan Securities (Hong Kong) Ltd, and fined him \$40,000 for failing to verify the accuracy of FRR returns before they were submitted to the SFC. Wong also failed to identify deposits in unauthorised financial institutions or unapproved banks and to ensure sufficient liquid capital arising from an IPO margin financing. He also failed to implement written procedures for computing liquid capital and monitoring FRR compliance.

(Press release issued on 9 August 2006)

Compliance with the FRR protects the investing public. The breach of these rules may seriously undermine the financial integrity of brokers. Licensed persons must exercise due care, skill and diligence in verifying the information in the FRR returns to ensure their accuracy.

Restriction Notice and Appointment of Administrators

Restriction notice issued and administrators appointed

On 7 August 2006, the SFC issued, in the interest of the investing public and in the public interest, a restriction notice on Wing Yip Company Ltd to preserve the assets of the company and its clients. Under the restriction notice, Wing Yip was prohibited from carrying on all of the activities for which it was licensed, disposing or dealing with any client assets or assisting, counselling or procuring others to dispose of or deal with any client assets without the SFC's prior consent.

The SFC suspected that Wing Yip was in breach of the FRR and therefore inspected Wing Yip and questioned Mr Yip Kwok Kay, a responsible officer and major shareholder, who admitted that he had misappropriated client securities and provided clients with falsified statements. Wing Yip also had a deficit in its required liquid capital.

On 10 August 2006, the SFC obtained an interim order appointing Mr John James Toohey and Mr Rainier Hok Chung Lam of PricewaterhouseCoopers to administer the property of Wing Yip and its clients.

(Press releases issued on 7, 8 and 10 August 2006)



SFC Enforcement Reporter

A monthly summary of SFC enforcement action

September 2006

The SFC reminds investors to seriously consider using an Investor Participant account (IP account) at CCASS. In situations in which the SFC considers it necessary to issue a restriction notice, the SFC always moves immediately to do so in reliance on the first reliable evidence in its possession, so as to ensure, as far as possible, the preservation of the assets of the licensed corporation and its clients.

Injunction

Licensees restrained from removing and dealing with personal assets

On 29 August 2006, upon SFC's application, the High Court issued an interim Mareva injunction against Mr Kwok Wood Yan and Ms Fong Shik Yee, two of the responsible officers of Tiffit Securities (Hong Kong) Ltd, restraining them from removing any of their assets from Hong Kong or dealing with or diminishing the value of their assets, whether within or outside Hong Kong.

(Press release issued on 29 August 2006)

This was the latest in a series of SFC preventive actions to safeguard and protect the interests of Tiffit's clients after SFC suspected Tiffit of stealing its client assets. Other SFC actions included imposing a Restriction Notice on 18 July to preserve Tiffit and its clients' assets and obtaining an Administration Order on 24 July and a Prohibition Order on 27 July preventing Kwok from leaving Hong Kong.

The SFC takes suspected theft extremely seriously and will take whatever action is necessary and proportionate to protect investors as soon as evidence to support that action is available. The Police and the SFC continue to co-operate in this and all other cases of suspected theft.

General Enforcement Statistics

From 1 April 2006 to end of August, the SFC successfully prosecuted 31 entities. In the same period, the SFC took disciplinary action against 42 licensees for various regulatory breaches. In addition, the SFC entered into settlement with three licensees with no formal sanction imposed.

If you want to know more, the SFC's press releases are available at www.sfc.hk.

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CONTACT US – Media Enquiry: (852) 2840 9287 / Investor Hotline: (852) 2840 9333 / Email: enquiry@sfc.hk / Feedback: enfreporter@sfc.hk