



# SFC Enforcement Reporter

A monthly summary of SFC enforcement action

February 2003

## Highlights

In January 2003, the SFC:

- applied to court to bankrupt a former brokerage proprietor
- disciplined five market intermediaries for various regulatory breaches

## Court Applications

### [Zero tolerance where client assets are put at risk](#)

The SFC has presented a bankruptcy petition against Mr Law Siu Kong, Christopher, under the SFC Ordinance. The SFC acted for the benefit of both investors and creditors to protect client and business assets held by Law and Lawsons Securities Company. Law is already the subject of a restriction notice issued by the SFC on 7 June 2002 prohibiting him from dealing in securities and assets held by himself and Lawsons, as well as a mareva injunction obtained by the SFC on 18 July 2002 to restrain him from breaching the terms of the restriction notice. Administrators have been appointed to Law's and Lawson's assets. The petition will be heard on 19 March 2003. Police investigation continues into related allegations of misappropriation. The SFC is monitoring developments.

(Press release issued on 22 January 2003)

*The SFC will not hesitate to exercise the full force of its powers under the law to protect the interests of the investing public.*

## Discipline

### [SFC punishes parties involved in warrant manipulation scheme](#)

The SFC has disciplined Mr Heng Hian Mok, Mr Ho Chu Ming George and Mr Leung Wing Fai for entering into placing arrangements with an issuer of derivative warrants and/or its placing agents to provide sham placees to the issuer. They did that to enable the issuer to satisfy the minimum spread of holders required by the then Placing Guidelines of the Stock Exchange's Main Board Listing Rules. In providing some of the sham placees, Heng, Ho and Leung also placed the warrants with some of their relations over whose accounts they had control in further breach of the Placing Guidelines. These artificial arrangements might have given a false and misleading appearance of a greater demand for and activity in the warrants.

Heng has accepted a suspension of his registrations for three months for his role in providing the sham placees. Heng was suspended for an additional month for an unrelated short selling conviction reported in the December 2002 Enforcement Reporter.

Ho has agreed to a suspension of his registrations for three months for his part in the placing arrangements.

Leung has accepted a public reprimand, voluntarily surrendered his registrations as a dealing director/dealer, and has given an undertaking not to re-apply for new registrations for eight months.

(Press release issued on 28 January 2003)

*Market participants who are part of schemes to manipulate any market can expect to face harsh action from the SFC. Even harsher sanctions will be available under the new Securities and Futures Ordinance due to take effect on 1 April 2003.*



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## [Suspension awaits those who flout licence conditions](#)

Mr Fung Siu Fai was suspended for two weeks for breaching the conditions on his licence relating to discretionary trades in leveraged foreign exchange. Other failings relating to the recording of client orders and non-compliance with his employer's internal policy were also found.

(Press release issued on 17 January 2003)

*We stress again the importance of observing licence conditions. Market participants who fail to adhere to their conditions will be punished. Brokerage clients should beware of giving brokerage staff too much control over their trading decisions, especially when trading complex financial products. Investors should learn the basics of trading an unfamiliar product before they invest.*

## [Poor audit trails and improper complaint handling lead to reprimand](#)

The SFC reprimanded Megabase Securities Ltd for its poor audit trails that partly contributed to unauthorised trades being conducted by an account executive. Megabase also made improper attempts to persuade a client to drop her complaint to the SFC, failed to have in place an adequate system to record all complaints and improperly chased the client for trading losses caused by its account executive.

(Press release issued on 6 January 2003)

*Licensees should ensure proper audit trails are kept otherwise unauthorised trades or other misconduct can more easily occur. This in turn may lead to increased client complaints and disciplinary actions that would jeopardise the reputation of the licensees. If clients do complain, their complaints should be looked at thoroughly and fairly.*

## General Enforcement Statistics

**Since April 2002, the SFC has successfully prosecuted 29 people and disciplined 62 entities.**

*If you want to know more, the SFC's press releases are available on the Commission's website at [www.hksfc.org.hk](http://www.hksfc.org.hk) under the section "Press Releases, Speeches & Publications".*

*If you want to subscribe and receive the Enforcement Reporter monthly by email, simply register for the SFC's Website Update Email Alert service on our homepage and select SFC Enforcement Reporter. Intermediaries licensed by the SFC receive the Enforcement Reporter monthly from their FINNET email accounts.*

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