

Redress for investors

Court-appointed administrators completed the distribution of restoration payments to all but three of the 297 counterparties to Du Jun, a former managing director of Morgan Stanley Asia Limited convicted of insider dealing. The restoration orders were the result of civil proceedings we commenced against Du in 2007. About \$23 million out of the restoration fund of \$23.9 million was paid out to investors. As three investors could not be contacted, the remaining sum of \$813,686 was returned to Du after the court's approval was obtained.

We issued a notice to the counterparties of futures trader Tsoi Bun, who was convicted of price rigging on the futures market and ordered to pay over \$13 million to compensate the investors affected by his actions. Despite attempts by the administrators to locate all the counterparties, 207 investors have not come forward and about \$4.6 million remains unclaimed. Affected counterparties were advised to follow the steps set out in the notice if they wish to receive compensation.

Market Misconduct Tribunal proceedings

For the first time, we started proceedings for breach of listed companies' obligations to announce inside information as soon as reasonably practicable under Part XIVA of the Securities and Futures Ordinance (SFO). The case, which will be heard by the Market Misconduct Tribunal, is against AcrossAsia Limited and both its Chairman, Albert Saychuan Cheok, and CEO, Vicente Binalhay Ang, for their delay in announcing to the public the commencement of insolvency-related proceedings in Indonesia against AcrossAsia.

Cheok and Ang received copies of court documents initiating proceedings, along with their English translations, by 4 January 2013, but such information was not announced to the public until 17 January, two days after the Indonesian court made insolvency-related orders against AcrossAsia.

We allege that the insolvency-related proceedings were specific information regarding AcrossAsia, not generally known to the public at the material time and highly price sensitive because they threatened AcrossAsia with loss of control of its major asset and could lead to the company being put into liquidation.

Production of accounting records

Ernst & Young (EY) withdrew its appeal against the orders in a judgement made by the Court of First Instance compelling it to produce to the SFC accounting records from the proposed listing of Standard Water Limited. After the judgment was handed down, EY produced the records to the SFC. We are satisfied that all the requested records have been produced and EY has complied with the court orders.

Disciplinary actions

We disciplined three corporations and three licensed representatives:

- BNP Paribas Securities (Asia) Limited was fined \$15 million for failures in relation to its alternative liquidity pool trading services. BNP had breached its licensing condition, failed to notify the SFC of its change of business plan as required and failed to maintain sufficient trade records. In addition, the services were not operated as represented in materials provided to clients.
- Nomura International (Hong Kong) Limited was reprimanded and fined \$4.5 million for failing to report significant misconduct by a former trader in a timely manner.
- Kiang Mang Yi Laura was banned from re-entering the industry for three years. She knowingly made a false representation about her academic qualifications and submitted a fake diploma to her former employer.
- Tai Nga Chun was suspended for eight months for operating a secret account and conducting 85 personal trading activities through it, in breach of her employer's internal control policies.

¹ Effective on 1 January 2013.

Securities and Futures Appeals Tribunal

In June, the Securities and Futures Appeals Tribunal (SFAT) affirmed our decision to reprimand The Pride Fund Management Limited and fine the company \$400,000. It failed to enter into mediation with an eligible claimant under the Financial Dispute Resolution Scheme administered by the Financial Dispute Resolution Centre. This is the first time the SFC has enforced the Code of Conduct obligations of intermediaries to comply with the scheme.

In August, the SFAT affirmed our decision to revoke approval for Sham Sze Wai Miranda to act as a responsible officer. She was involved in serious internal

control deficiencies at Ping An of China Securities (Hong Kong) Company Limited, including failure in reporting suspicious transactions in a timely manner and not establishing anti-money laundering internal control procedures.

Surveillance work

We made 1,721 requests for trading and account records from intermediaries in the quarter. In addition, we posted on our website two high shareholding concentration announcements to remind investors to exercise caution when trading shares in companies where a small number of shareholders hold a high concentration of shares.

Enforcement activities

	Quarter ended 30.9.2015	Six months ended 30.9.2015	Six months ended 30.9.2014	YoY change (%)
Trading inquiries issued under S181 ¹	1,801 ²	3,931	5,149	-23.7
Investigations started	124	255	282	-9.6
Investigations completed	139	238	140	70
Investigations completed within seven months (%)	72 (52%)	127 (53%)	104 (74%)	22.1
Persons/corporations charged in criminal proceedings	0	4	10	-60
Criminal charges laid	0	19	20	-5
Notices of Proposed Disciplinary Action ³	8	15	20	-25
Decision Notices ⁴	8	17	31	-45.2
Persons/corporations subject to ongoing civil proceedings	88	88	79	11.4
Compliance advice letters issued	196	230	143	60.8

¹ Section 181 of the SFO gives the SFC the power to require information from intermediaries about trading transactions, including the identity information of the ultimate clients, the particulars and instructions relating to the transactions.

² Includes all trading inquiries made by the Enforcement Division.

³ A notice, issued by the SFC to regulated persons, that it proposes to exercise its disciplinary powers, on grounds that they appear to be guilty of misconduct or not fit and proper.

⁴ A Decision Notice sets out the SFC's decision and its reasons to take disciplinary action against regulated persons.