

Enforcement

Market Misconduct Tribunal

- After finding Andrew Left of Citron Research guilty of disclosing false or misleading information in a research report on Evergrande Real Estate Group Limited, the Market Misconduct Tribunal (MMT) banned him from trading securities in Hong Kong for the maximum period of five years and ordered him to disgorge his profit of \$1.6 million from shorting Evergrande shares. Left's application to appeal against the MMT determination on questions of fact was dismissed by the Court of Appeal in January 2017.
- The MMT ruled that AcrossAsia Limited, its former chairman Albert Saychuan Cheok and its former chief executive officer Vicente Binalhay Ang, failed to disclose inside information as soon as reasonably practicable and fined them a total of \$2 million. The MMT also ordered Cheok and Ang to complete training on compliance with inside information disclosure requirements, directors' duties and corporate governance.
- The MMT found that between 2001 and 2005, Gu Chujun, the founder and former chairman of Greencool Technology Holdings Limited, along with four other senior executives, disclosed false or misleading information, overstated the deposits kept by Greencool's Mainland subsidiaries and concealed substantial loans granted to them. As a result, Greencool's net asset value on a consolidated basis was exaggerated in several annual reports and results announcements.
- We started proceedings in the MMT against a former senior executive of an affiliate of Titan Petrochemicals Group Limited, Augustine Cheong Kai Tjeh, and his mother for alleged insider dealing in Titan shares.

Restriction Notice

In December, we issued restriction notices to Interactive Brokers LLC and Interactive Brokers Hong Kong Limited to prohibit them from dealing with certain client assets that are the suspected proceeds of market manipulation or fraud. They are not suspects in the investigation.

Disciplinary actions

We disciplined five corporations and 11 licensed representatives, resulting in total fines¹ of \$9.8 million, including the following actions:

- J.P. Morgan Securities (Asia Pacific) Limited and JPMorgan Chase Bank, National Association were reprimanded and fined \$3 million and \$2.6 million respectively for regulatory breaches in a number of areas.
- FXCM Asia Limited² was reprimanded and fined \$4 million for regulatory breaches in relation to its foreign exchange order execution practices.
- The licences of Richmond Asset Management Limited and Graham Frank Bibby, its responsible officer and sole owner, were revoked and Bibby was banned from re-entering the industry for 10 years for soliciting clients to invest in a company and a plot of land in Thailand in which Bibby and his wife held substantial undisclosed interests.
- The licences of Goodcape Securities Limited and its responsible officers, Tang Lin Sun and Chang Siu Ming, were revoked for misappropriating client funds. Tang and Chang were prohibited from re-entering the industry for life and three years respectively.
- Chen Chia Hui, a former employee of The Hongkong and Shanghai Banking Corporation (HSBC), was banned from re-entering the industry for life following her conviction for bribery.
- Lam Yuk Wai, a former staff of four HSBC broking companies, was banned from re-entering the industry for life for misconduct, including over 100 unauthorized transactions.
- Derek Ong, a former representative of Deutsche Securities Asia Limited, was prohibited from re-entering the industry for 10 years for conspiring to manipulate the Korean Composite Stock Price Index 200.
- Benedict Ku Ka Tat, a former employee of The Pride Fund Management Limited, was prohibited from re-entering the industry for one year and fined \$150,000 for failing to disclose his commission and performing proper customer due diligence.

¹ Fines paid to or recovered by the SFC go into the general revenue of the Government.

² Now known as Rakuten Securities Hong Kong Limited.

Court proceedings

- We commenced legal proceedings in the Court of First Instance to seek disqualification orders against Quincy Hui Kwong Hei (managing director), Andrew Liu (former non-executive director) and eight current and former directors of Freeman Financial Corporation Limited³ for breaching directors' duties in Freeman's acquisition and disposal of a stake in Liu's Holdings Limited. We sought a court order that Hui and Liu compensated Freeman \$76.8 million, equivalent to the loss it suffered in the transactions.
- The Eastern Magistrates' Court convicted and fined Gold Root Global Investments Limited for dealing in futures contracts through its online trading platform without an appropriate licence. We also prosecuted Jacky Chan Cheuk Ki, its former dealing director and Chiang Ching Fung, former chief executive officer.

- The Court of Final Appeal dismissed the application of C.L. Management Services Limited and its sole owner and director, Clarea Au Suet Ming, to appeal against their convictions for unlicensed corporate finance activities. They were previously fined \$1.5 million and Au was sentenced to six months' imprisonment suspended for 18 months.

Market surveillance

We made 2,084 requests for trading and account records from intermediaries in the quarter. In addition, we posted eight high shareholding concentration announcements on our website 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 31.12.2016	Nine months ended 31.12.2016	Nine months ended 31.12.2015	YoY change (%)
S179 ^a inquiries commenced	4	18	17	5.9
S181 ^b inquiries commenced (number of letters sent)	66 (2,084)	207 (6,488)	206 (5,750)	0.5
S182 ^c directions issued	67	313	384	-18.5
Investigations started	66	317	390	-18.7
Investigations completed	163	457	327	39.8
Investigations completed within seven months (%)	80 (49%)	221 (48%)	171 (52%)	29.2
Individuals/corporations charged in criminal proceedings	0	4	12	-66.7
Criminal charges laid	0	15	58	-74.1
Notices of Proposed Disciplinary Action ^d issued	17	42	30	40
Notices of decision ^e issued	16	39	27	44.4
Individuals/corporations subject to ongoing civil proceedings	109	109	99	10.1
Compliance advice letters issued	141	409	290	41
Cases with search warrants executed	5	24	24	0

^a Section 179 of the SFO gives the SFC the power to compel the production of records and documents from persons related to a listed company in relation to fraud or other misconduct.

^b 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.

^c Section 182 of the SFO gives the SFC the power to investigate SFO offences, market misconduct, fraud, misfeasance and disciplinary misconduct.

^d 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.

^e A notice that sets out the SFC's decision and its reasons to take disciplinary action against regulated persons.

³ Now known as Freeman FinTech Corporation Limited.