

Enforcement

Court proceedings

The Court of First Instance (CFI) disqualified Li Hejun, the former chairman of Hanergy Thin Film Power Group Limited, from being a director or being involved in the management of any listed or unlisted corporation in Hong Kong for eight years for breaches of director's duties. In addition, four independent non-executive directors were disqualified for three to four years. Li was also ordered to procure the payment of outstanding receivables due to Hanergy from its parent company.

The CFI ordered Sun Min to pay over \$15.6 million to 51 investors affected by her insider dealing in the shares of China Huiyuan Juice Group Limited.

The CFI dismissed the application by Hong Kong Game Theory Association Limited and its sole director Sze Ching Lok, Lawrence for leave to appeal to the Court of Final Appeal against their convictions for advising on futures contracts without a licence.

The Court of Appeal dismissed our leave application to appeal to the Court of Final Appeal against the Market Misconduct Tribunal's findings that Yiu Hoi Ying and Marian Wong Nam, two former executives of Asia Telemedia Limited¹, had not engaged in insider dealing. We further applied directly to the Court of Final Appeal for leave to appeal.

During the quarter, we successfully prosecuted one corporation and three individuals in the Eastern Magistrates' Court.

- ETRADE Securities (Hong Kong) Limited was convicted and fined \$20,000 for actively marketing, to the Hong Kong public, brokerage services provided by its overseas parent company E*TRADE Securities LLC which was not licensed by the SFC. This was the first criminal conviction for this offence².
- Yan Ching Ching was convicted and fined \$15,000 for making false or misleading representations about her criminal records in her licence application.
- Fonia Kwok Lai Kwan, the sole proprietor of Finamics Capital Management, and Lawrence Ho Man Chung, its investment portfolio manager, were convicted and fined for unlicensed activities.

¹ Now known as Yunfeng Financial Group Limited.

² This was the first criminal conviction secured under both sections 114 and 115 of the Securities and Futures Ordinance (SFO) for actively marketing regulated activities carried out outside of Hong Kong to the Hong Kong public.

Two criminal proceedings against four individuals before the Eastern Magistrates' Court are ongoing.

- We commenced proceedings against Au-Yeung Siu Pang, a former employee of China CBM Group Company Limited, over alleged insider dealing in the company's shares.
- Our criminal proceedings against alleged insider dealing in the shares of Integrated Distribution Services Group Limited by Chan Lit Chun, Lam Yik Tung and Anson Mui Ka Leung were adjourned for a pre-trial review.

Disciplinary actions

We disciplined two licensed representatives, including the following actions:

- Shum Kam Ming, a former account executive at Sincere Securities Limited, was banned from re-entering the industry for life for conducting unauthorised transactions in a client's account, resulting in substantial losses.
- Chan Wai Ling, a former account executive at Kingsway Financial Services Group Limited, was suspended for 12 months for unauthorised trading in clients' accounts.

Restriction Notice

In August, we issued restriction notices to Caitong International Securities Co., Limited, Pacific Foundation Securities Limited and Yuanta Securities (Hong Kong) Company Limited, prohibiting them from dealing with certain client assets related to suspected false trading, price rigging or market manipulation involving the shares of GME Group Holdings Limited. The firms are not suspects in the investigation.

Market surveillance

We made 2,300 requests for trading and account records from intermediaries in the quarter. In addition, we posted three 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

Enforcement activities

	Quarter ended 30.9.2017	Six months ended 30.9.2017	Six months ended 30.9.2016	YoY change (%)
S179 ^a inquiries commenced	6	15	14	7.1
S181 ^b inquiries commenced (number of letters sent)	68 (2,300)	148 (4,917)	141 (4,404)	11.6
S182 ^c directions issued	58	148	246	-39.8
Investigations started	64	153	251	-39
Investigations completed	57	112	294	-61.9
Individuals/corporations charged in criminal proceedings	3	10	4	150
Criminal charges laid	28	42	15	180
Notices of Proposed Disciplinary Action ^d issued	9	16	25	-36
Notices of Decision ^e issued	3	12	23	-47.8
Individuals/corporations subject to ongoing civil proceedings	118	118	108	9.3
Compliance advice letters issued	72	162	268	-39.6
Cases with search warrants executed	7	15	19	-21.1

^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.