

STATEMENT OF DISCIPLINARY ACTION

The Disciplinary Action

1. The Securities and Futures Commission (SFC) has prohibited Ho Kei Him Calvin (Ho) from re-entering the industry for 14 months pursuant to section 194 of the Securities and Futures Ordinance (SFO).
2. Calvin Ho is found to have breached General Principles 6 and 7 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (Code of Conduct) by:
 - (a) failing to disclose his related securities accounts and the stock trading activities to his employer;
 - (b) failing to avoid conflicts of interest between the stock trading activities in the related accounts and his employment as a research associate; and
 - (c) making false and/or misleading declarations to his employer about his and his wife's stock trading activities.

Summary of facts

Non-disclosure of related accounts and provision of false or misleading declarations

3. Ho was a licensed representative¹ and a former member of the research team at Morgan Stanley Asia Limited for conglomerates and gaming stocks.
4. During his employment as a research associate from 2009 to 2011, Ho was required to disclose to his employer his and his related securities accounts, including the trading activities in those accounts.
5. Ho made enquiry with the compliance function about the disclosure requirements and knew that he had to disclose his wife's securities accounts and any joint account held with family members.
6. During a routine review of his emails in August 2011, his employer found that he and his wife traded securities through 3 undisclosed accounts belonging to his wife, his mother, and his mother-in-law respectively.
7. Upon joining and in the course of employment, Ho made 4 declarations and confirmations to his employer about his and his related securities accounts, but all of them did not disclose he had interests in the stock holdings of his mother's account and his wife traded stocks through her own account and her mother's account.
8. General Principle 7 of the Code of Conduct requires all licensed persons to comply with applicable law and regulations. Paragraph 12.2 of the Code of Conduct requires all

¹ Ho was licensed under the SFO to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities between November 2009 and November 2011, during which he was accredited to Morgan Stanley Asia Limited. He is currently not a licensed person

transactions in the employee's accounts and related accounts to be reported and actively monitored by the senior management of the licensed corporation.

9. Calvin Ho's non-disclosure of the related accounts was serious because it was neither inadvertence nor negligence but a deliberate disregard of his regulatory duty and his employer's policies. His conduct also deprived his employer the opportunities to monitor the stock trading activities in the related accounts.

Failure to avoid actual and potential conflicts

10. General Principle 6 of the Code of Conduct provides that a licensed person should try to avoid conflicts of interest. Paragraph 16.3 of the Code of Conduct requires an analyst to completely, timely, and clearly disclose actual and potential conflicts of interest. Paragraph 16.4 of the Code of Conduct further provides that an analyst or his spouse should not trade in any securities in respect of an issuer that the analyst reviews within 30 days before and 3 business days after the issue of an investment research on the issuer.
11. Among the stocks traded in the undisclosed related accounts, Ho was involved in the preparation of research reports published by his employer for 3 of the stocks. It is found that the trading of the relevant stocks occurred in Ho's related accounts either one day before or on the same day Ho's employer issued the research reports on the 3 stocks in February, May, and June 2010 respectively.
12. Ho was named as an analyst in one of the 3 research reports. The actual and potential conflicts of interest in the trading of the 3 stocks are obvious. Ho is expected to disclose the trading activities to his employer to alleviate the conflicts. Instead, Ho only elected to do nothing about the stock held in his mother's account and merely ask his wife to sell the other 2 stocks without telling his employer.
13. The SFC considers that Ho failed to adequately discharge his regulatory duties under General Principle 6 and paragraphs 16.3 and 16.4 of the Code of Conduct.

Conclusion

14. Having considered all the circumstances, the SFC is of the view that Ho is guilty of misconduct and his fitness and properness to be licensed has been called into question. The sanction of prohibition is most appropriate and commensurate with the view of the SFC on the gravity of the failures.
15. In coming to the decision to take disciplinary action against Ho, the SFC has taken into account:
 - (a) candid disclosure is fundamental to the character of a licensed representative and Ho's relationships to the related accounts were not disclosed until they were discovered;
 - (b) avoidance of conflicts is a primary duty of a research analyst and Ho's management of the conflicts stemming from his family members' trading activities is clearly inadequate;
 - (c) his clean disciplinary record; and
 - (d) his co-operation in resolving these disciplinary proceedings.