STATEMENT OF DISCIPLINARY ACTION

The Disciplinary Actions

1. The Securities and Futures Commission (**SFC**) has prohibited Mr Christopher Ma Chun Leung (**Ma**) and Mr Wong Man Chung (**Wong**) from re-entering the industry for 10 and two years respectively pursuant to section 194 of the Securities and Futures Ordinance (**SFO**).

2. The disciplinary actions were taken because Ma and Wong had acted against the best interests of clients and dishonestly taken advantage of executions of client orders in conducting the business activities for Morgan Stanley[1].

3. In addition, Ma provided false or misleading information to Morgan Stanley which in turn caused Morgan Stanley to provide the same to the SFC.

4. The misconduct of Ma and Wong breached General Principle 1 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (**Code of Conduct**).

Summary of facts

5. Ma was an executive director and the head of program trading desk at Morgan Stanley. Wong was a trader of Ma's team. Their responsibilities included the execution of client orders in stocks traded on The Stock Exchange of Hong Kong Limited (**SEHK**).

6. Morgan Stanley reported to the SFC that Ma's employment was terminated in May 2011. It was found that the program trading desk had on various dates in August 2009, February, May, October, and November 2010:

   (a) executed client orders on the SEHK;

   (b) cancelled the executed trades for the clients and allocated the executed trades to the accounts of the program trading desk in Morgan Stanley's trading system; and

   (c) re-filled the client orders with the executed trades allocated to the program trading desk accounts at stock prices less advantageous to the clients.

[1] Morgan Stanley Asia Limited, Morgan Stanley Hong Kong Futures Limited, and Morgan Stanley Hong Kong Securities Limited

7. Over 2500 trades in 20 stocks were cancelled. The trades were reallocated to clients not only at less advantageous prices but also at prices which were above the highest trading price of the day for some of the buy orders. The relevant institutional clients did not know that they were caused to pay a total of about $8 million more for their shares.

8. As the supervisor of the program trading desk, Ma was responsible for all the abuses. Wong as a team member was at least directly involved in causing one of the clients to pay close to $800,000 more for the shares.

9. In the course of the SFC's inquiry into the order executions, Morgan Stanley submitted to the SFC that part of the relevant trades were executed off-market because the client orders could not be fully executed on the SEHK on the order date. These client orders were covered by purchases in the market made on subsequent trading days. This submission was untrue because these orders were actually executed on the date that the orders were placed but they were cancelled and re-allocated.

10. Ma altered the trading records which Morgan Stanley relied upon in making the submission. He deleted and changed the time stamp and purchase quantity of the executed trades with a view to covering up the cancellation and re-allocation of the executed trades with stock prices less advantageous to the clients.

Conclusion

11. General Principle 1 of the Code of Conduct requires licensed persons to act honestly, fairly, and in the best interests of its clients and the integrity of the market, when conducting regulated activities.

12. The misconduct of Ma and Wong is serious and dishonest. Therefore, the SFC is of the opinion that they are guilty of misconduct and not fit and proper to be licensed.