

Enforcement

Court proceedings

The Court of First Instance (CFI) found that Yik Fong Fong, Wei Juan and Huang Yi engaged in insider dealing in the shares of TeleEye Holdings Limited. In February 2022, the CFI ordered that illicit profits of \$12,949,875 made by Wei and Huang, who are associates of Yik, be paid to 63 affected investors.

The CFI dismissed the appeal of Law Sai Hung, a director of Brilliance Capital Management Limited, against his conviction of unlicensed activities.

The Eastern Magistrates' Court convicted Wai Chun Holdings Group Limited and its director, Lam Ching Kui, of failing to make timely disclosures of the acquisition of their interests in Chinese Strategic Holdings Limited, contravening Part XV of the Securities and Futures Ordinance (SFO). They were fined and ordered to pay the SFC's investigation costs.

Disciplinary actions

We disciplined five licensed corporations and nine individuals during the quarter, resulting in total fines¹ of over \$23 million.

Sponsor failures

Company/Name	Breaches	Action
Ample Capital Limited	Failed to discharge its duties as the sponsor in the listing application of COCCI International Limited	Reprimanded and fined \$5.5 million
Howard Tang Ho Wai	Failed to discharge his duties as a sponsor principal and a responsible officer of Ample Capital Limited	Suspended for 17 months
Yi Shun Da Capital Limited	Failed to discharge its duties as the sponsor in the listing application of Imperial Sierra Group Holdings Limited	Reprimanded and fined \$3 million ²

Anti-money laundering regulatory breaches

Company/Name	Breaches	Action
Grand International Futures Co., Limited	Failed to comply with anti-money laundering, counter-terrorist financing and other regulatory requirements	Reprimanded and fined \$8 million
Liang Benyou	Failed to discharge his duties as a responsible officer and a member of senior management of Grand International Futures Co., Limited	Suspended for eight months
Mason Securities Limited ³	Failed to ensure proper certification of client identities for account opening and put in place controls to identify third-party deposits	Reprimanded and fined \$3.6 million

Internal control failures

Company/Name	Breaches	Action
Fulbright Securities Limited	Internal control failures relating to its placing activities and recording of client order instructions	Reprimanded and fined \$3.3 million
Eric Liu Chi Ming	Failed to discharge his duties as a responsible officer, director, deputy general manager and manager-in-charge (overall management oversight and key business line) of Fulbright Securities Limited	Suspended for six months

¹ Fines paid by intermediaries in disciplinary actions go into the general revenue of the Government.

² Affirmed by the Securities and Futures Appeals Tribunal in October 2021.

³ Formerly known as GuocoCapital Limited.

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Other regulatory breaches and criminal convictions

Name	Breaches/Convictions	Action
Ma Kwok Ho and Gee King Yip	Regulatory breaches relating to their trading practices	Banned from re-entering the industry for two years and 16 months, respectively
Wang Yu Ching	Misrepresented academic qualifications to her former employers	Banned from re-entering the industry for 10 years
Poon Chun Hing	Misappropriated client funds for his personal use	Banned from re-entering the industry for life
Chu Chun Wai	Failed to discharge his duties as a responsible officer and a member of the senior management of Zhonghui International Futures Company Limited	Banned from re-entering the industry for seven months
Lau Tin Yau	Convictions under the Prevention of Bribery Ordinance in May 2018 and the SFO in September 2020	Banned from re-entering the industry for life

Restriction notices

During the quarter, we issued a restriction notice to HF Asset Management Limited, prohibiting it from carrying on any business which constitutes SFC-licensed regulated activities because of doubts over the firm's fitness and properness. We also issued restriction notices to two other brokers⁴, prohibiting them from dealing with or processing certain assets held in 17 trading accounts related to a suspected social media ramp-and-dump scam. Our investigations are ongoing.

Joint operations

We conducted a simultaneous joint operation in December with the Hong Kong Police Force, the Monetary Authority of Singapore and the Singapore Police Force against an active and sophisticated syndicate suspected of operating cross-border ramp-and-dump manipulation schemes in Hong Kong and Singapore. During the operation, more than 190 officers from the four organisations searched 33 premises in Hong Kong and Singapore and arrested 10 persons.

Following our joint operation with the Independent Commission Against Corruption (ICAC) in 2017, four people, including two former executive directors of Convoy Global Holdings Limited, were charged by the ICAC and convicted of conspiracy to defraud at the District Court in October. The defendants were jailed

between four and seven months. The two former executive directors were also disqualified from being company directors for two to three years.

Enforcement cooperation with the CSRC

In November, we held our fifth joint enforcement training with the China Securities Regulatory Commission (CSRC). Conducted virtually for the first time, the training session took place over three consecutive days and was attended by around 550 enforcement officers from both regulators. It focused on ways to crack down on serious securities market violations in both markets and shared case studies of how the CSRC and the SFC collaborated with local enforcement agencies in their jurisdictions.

In December, we held the 12th regular high-level meeting on enforcement cooperation with the CSRC, also in a virtual format. We discussed ways to strengthen our ongoing enforcement cooperation during the pandemic to further safeguard the sound development of the Hong Kong and Mainland capital markets and protect investors' interests. These included enhancing and optimising the cooperation mechanism for collecting and handling evidence, refining the arrangements for providing assistance in urgent, major cross-boundary cases and strengthening exchanges amongst officers from both regulators.

⁴ Emperor Securities Limited and Get Nice Securities Limited.

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Market surveillance

Our surveillance of untoward price and turnover movements resulted in 1,284 requests for trading and account records from intermediaries in the quarter.

We published three 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 31.12.2021	Nine months ended 31.12.2021	Nine months ended 31.12.2020	YoY change (%)
S179 ^a inquiries commenced	13	45	29	55.2
S181 ^b inquiries commenced (number of letters sent)	43 (1,284)	172 (6,336)	191 (6,940)	-8.7
S182 ^c directions issued	47	173	140	23.6
Investigations started	48	178	151	17.9
Investigations completed	26	91	159	-42.8
Individuals and corporations charged in criminal proceedings	2	4	9	-55.6
Criminal charges laid	10	28	12	133.3
Notices of Proposed Disciplinary Action ^d issued	7	32	18	77.8
Notices of Decision ^e issued	18	33	26	26.9
Individuals and corporations subject to ongoing civil proceedings ^f	173	173	161	7.5
Compliance advice letters issued	36	129	182	-29.1
Cases with search warrants executed	11	36	14	157.1

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 information identifying 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 which sets out the SFC's decision and its reasons to take disciplinary action against regulated persons.

f As of the last day of the period.