

# Enforcement

## Court proceedings

We obtained from the Court of First Instance (CFI) an order under section 214 of the Securities and Futures Ordinance (SFO) against Wen Yibo, chairman and executive director of Sound Global Ltd., to purchase shares held by the other shareholders of the company after he was found to have orchestrated a scheme to falsify the company's bank balances and fabricated relevant bank statements and balance confirmations. Wen was also disqualified from serving as a director or taking part in the management of any corporation in Hong Kong for 12 years.

The CFI also granted an order under section 213 of the SFO against Hong Kong Wan Kiu Investment Company Limited (Wan Kiu), its sole director and shareholder, Sham Khi Rose Connie, and Sham & Partners Limited, a company owned by Connie's son, to compensate Wan Kiu's clients for misappropriating client assets.

The Eastern Magistrates' Court:

- sentenced Fung Kwong Shing Danny, a former account executive of Fulbright Securities Limited, to two-and-a-half-months' imprisonment following his conviction of the offences of engaging in fraud or deception in transactions involving securities;

- sentenced Wong King Hoi to two-weeks' imprisonment following his conviction of obstructing employees of the SFC in the execution of a search warrant; and
- convicted Lau Chi Ho of illegal short selling in the securities of two Hong Kong-listed companies. Lau was fined \$20,000 and ordered to pay the SFC's investigation costs.

Following an earlier joint operation by the SFC and the Police, a suspected mastermind<sup>1</sup> of a sophisticated ramp and dump syndicate was charged with various criminal offences including offences under section 300 of the SFO. The case was adjourned to April 2023 for mention.

## Disciplinary actions

We disciplined three licensed corporations and five individuals during the quarter, resulting in total fines<sup>2</sup> of \$7.61 million.

## Internal control deficiencies

Company/Name	Breaches	Action
Swiss-Asia Asset Management (HK) Limited	Internal control deficiencies and regulatory breaches relating to monitoring trading activities in discretionary accounts and record keeping	Reprimanded and fined \$3 million
Tang Shiyi	Breached her former employer's staff dealing policy	Banned from re-entering the industry for 10 months
Sun Yiding	Breached her former employer's employee trading policy	Banned from re-entering the industry for eight months
Chung Tung Sau	Failed to avoid conflicts of interest between himself and a client in share trading	Suspended for seven months and fined \$60,000

<sup>1</sup> 13 other suspects were charged in connection with the case earlier.

<sup>2</sup> Fines paid by intermediaries in disciplinary actions go into the general revenue of the Government.

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### Other regulatory breaches

Company/Name	Breaches	Action
Guosen Securities (HK) Brokerage Company, Limited	Regulatory breaches relating to handling client assets and providing client account statements	Reprimanded and fined \$2.8 million
Asia Research & Capital Management Limited	Failed to comply with the European Union's short selling reporting requirements and promptly notify material regulatory breaches to the SFC	Reprimanded and fined \$1.75 million
Wong Yim Chi Billy	Failed to discharge his duties as a Manager-In-Charge (Compliance) and a member of senior management of Asia Research & Capital Management Limited	Banned from re-entering the industry for two months
Wang Pei Yi	Made false declarations in the account opening forms of three corporate clients	Suspended for 10 months

### Joint operation with ICAC

We conducted a joint operation with the Independent Commission Against Corruption (ICAC) concerning suspected ramp and dump schemes involving the stocks of six Hong Kong-listed companies, other market misconduct and suspected corruption offences. More than 120 SFC officers and 70 ICAC officers searched 50 premises in two days. Eight individuals, including a suspected ringleader of a sophisticated ramp and dump syndicate, were arrested. Our investigations are ongoing.

### Warning against scams

During the quarter, we organised a two-day community outreach campaign jointly with the Anti-Deception Coordination Centre of the Hong Kong Police Force in major shopping areas to raise public awareness of the common tactics of social media ramp and dump scams.

### Enforcement cooperation with CSRC

During the quarter, we held the 13th high-level meeting on enforcement cooperation with the China Securities Regulatory Commission (CSRC). We reached an important consensus with the CSRC on further exploring enforcement cooperation and enhancing efficiency.

In addition, the two enforcement units resumed their training and exchange programme for enforcement officers, which had been suspended due to the pandemic.<sup>3</sup>

### Market surveillance

Our surveillance of untoward price and turnover movements resulted in 1,366 requests for trading and account records from intermediaries in the quarter.

<sup>3</sup> See Regulatory Engagement on pages 18-19.

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### Enforcement activities

	Quarter ended 31.12.2022	Nine months ended 31.12.2022	Nine months ended 31.12.2021	YoY change (%)
S179 <sup>a</sup> inquiries commenced	9	26	45	-42.2
S181 <sup>b</sup> inquiries commenced (number of letters sent)	47 (1,366)	133 (4,687)	172 (6,336)	-26
S182 <sup>c</sup> directions issued	34	97	173	-43.9
Investigations started	34	101	178	-43.3
Investigations completed	62	145	91	59.3
Individuals and corporations charged in criminal proceedings	1	8	4	100
Criminal charges laid	15	95	28	239.3
Notices of Proposed Disciplinary Action <sup>d</sup> issued	7	19	32	-40.6
Notices of Decision <sup>e</sup> issued	10	22	33	-33.3
Individuals and corporations subject to ongoing civil proceedings <sup>f</sup>	167	167	173	-3.5
Compliance advice letters issued	42	85	129	-34.1
Cases with search warrants executed	6	26	36	-27.8

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.