

Enforcement

Court proceedings

During the quarter, the Court of First Instance (CFI) granted disqualification orders under section 214 of the Securities and Futures Ordinance (SFO) against five individuals.

- Lau Chi Yuen Joseph and Chung Man Wai, former directors of Luxey International (Holdings) Limited, were disqualified from being a director or taking part in the management of any corporation in Hong Kong for eight years and five years, respectively, for their misconduct in a corporate acquisition.
- Liu Yong, a former executive director of National Agricultural Holdings Limited (NAH), and Chiu Kam Hing Kathy and Fan Chung Yue William, both former independent non-executive directors of NAH, were disqualified from being a director or taking part in the management of any corporation in Hong Kong for three years, 20 months and 20 months, respectively, after they admitted to having breached their directors' duties to NAH.

The CFI granted an interim injunction order under section 213 of the SFO against Tsang Ching Yi and Barry Kwok Sze Lok for suspected insider dealing in the shares of I.T Limited, prohibiting them from removing assets up to the value of \$8,246,496 from Hong Kong.

We commenced legal proceedings in the CFI under section 214 of the SFO to seek disqualification orders against eight individuals, including former directors

of China Candy Holdings Limited and its former chief financial controller, for permitting, acquiescing or turning a blind eye to falsified bank and accounting records, breach of directors' duties and other misconduct.

The Eastern Magistrates' Courts convicted Sze Chun Wai for making false and misleading representations in his licence application to the SFC and ordered him to pay a fine of \$8,000 and the SFC's investigation costs.

Following our earlier joint operation with the Hong Kong Police Force against a large-scale, sophisticated ramp and dump syndicate, 10 more suspects, including key members and a suspected ringleader, were brought to the Eastern Magistrates' Courts on charges of various criminal offences, including conspiracy to perpetrate fraud or deception in transactions involving securities provided in section 300 of the SFO and related money laundering offences. Further hearings were scheduled.

Market Misconduct Tribunal

We commenced proceedings in the Market Misconduct Tribunal against Wu Kam Shing, a former executive deputy general manager of China CITIC Bank International Limited, for alleged insider dealing in the shares of Bloomage BioTechnology Corporation Limited.

Disciplinary actions

We disciplined three corporations and two individuals during the quarter, resulting in total fines¹ of \$9.2 million. Details of the breaches are as follows:

Unlicensed activities

Company	Breaches	Action
Ninety One Hong Kong Limited	Dealing in futures contracts without the required licence	Reprimanded and fined \$1.4 million

Internal control deficiencies

Company	Breaches	Action
Taiping Securities (HK) Co Limited	Failed to put in place adequate and effective internal controls to monitor employee dealings	Reprimanded and fined \$1.3 million

¹ 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
China On Securities Limited	Failed to act within the scope of client's authority and adequately safeguard the client's assets when acting as placing agent of shares in Hon Corporation Limited	Reprimanded and fined \$6 million
Xie Yangxiong	Provided false and misleading financial information to the SFC in support of the licence applications of two firms and failure to sufficiently maintain the firms' liquid capital and notify the SFC of the firms' liquid capital deficits	Banned from re-entering the industry for life
Law Chi Kin Peter	Took part in a stock manipulation scheme	Banned from re-entering the industry for 10 years and fined \$535,500

Restriction Notices

We issued restriction notices to three brokers prohibiting them from dealing with or processing certain assets held in their respective client accounts of three individuals who are suspected of committing misconduct and breaching their duties towards FingerTango Inc.

We also issued restriction notices to 10 other brokers prohibiting them from dealing with or processing certain assets held in 31 trading accounts which are related to a suspected online ramp and dump scam.

Joint operation with the Police

We conducted a joint operation with the Police against fraudulent activities in securities transactions and illegal short selling. Four suspects were charged with offences of fraud, with alternative charges of illegal short selling.

Enforcement cooperation with the CSRC

During the quarter, we and the China Securities Regulatory Commission (CSRC) held the 14th high-level meeting on enforcement cooperation at which we reached consensus on collaboration on a range of issues².

Market surveillance

Our surveillance of untoward price and turnover movements resulted in 1,227 requests for trading and account records from intermediaries in the quarter.

² See Regulatory Engagement on pages 20-22.

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Enforcement activities

	Quarter ended 30.6.2023	Quarter ended 31.3.2023	Change (%)	Quarter ended 30.6.2022	YoY change (%)
S179 ^a inquiries commenced	9	5	80.0	5	80.0
S181 ^b inquiries commenced (number of letters sent)	43 (1,227)	58 (1,164)	5.4	40 (1,392)	-11.9
S182 ^c directions issued	40	33	21.2	24	66.7
Investigations started	40	34	17.6	24	66.7
Investigations completed	33	19	73.7	44	-25.0
Individuals and corporations charged in criminal proceedings	15	17	-11.8	3	400.0
Criminal charges laid	39	20	95.0	47	-17.0
Notices of Proposed Disciplinary Action ^d issued	7	7	0.0	6	16.7
Notices of Decision ^e issued	7	7	0.0	6	16.7
Individuals and corporations subject to ongoing civil proceedings ^f	188	180	4.4	169	11.2
Compliance advice letters issued	39	28	39.3	23	69.6
Cases with search warrants executed	4	9	-55.6	11	-63.6

a Section 179 of the Securities and Futures Ordinance 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.

