

Enforcement

Market Misconduct Tribunal

During the quarter, the Market Misconduct Tribunal (MMT) found that the following individuals engaged in insider dealing.

- Cheng Chak Ngok, former executive director, chief financial officer and company secretary of ENN Energy Holdings Limited, engaged in insider dealing in the shares of China Gas Holdings Limited in 2011.
- Li Yik Shuen engaged in insider dealing in the shares of Meadville Holdings Limited in 2009.

In addition, the MMT found that CMBC Capital Holdings Limited and its six former directors¹ failed to disclose inside information as soon as reasonably practicable and imposed a 15-month disqualification order and a fine of \$1.2 million against the company's former chief executive officer and company secretary Philip Suen Yick Lun. The company's former chairman, Paul Suen Cho Hung, was fined \$900,000. The MMT also ordered the six former directors to attend an SFC-approved training programme on the corporate disclosure regime, directors' duties and corporate governance.

Reprimanded and fined for internal control deficiencies

Company	Breaches	Fine
Goldman Sachs (Asia) L.L.C.	Serious lapses and deficiencies in its management supervisory, risk, compliance and anti-money laundering controls in 1Malaysia Development Berhad's bond offerings	US\$350 million (\$2.71 billion)
Fulbright Securities Limited	Internal control failures relating to the detection and prevention of short selling and for failing to report short selling incidents to the SFC in a timely manner	\$3.6 million
Credit Suisse Securities (Hong Kong) Limited	Regulatory breaches in respect of failures in its electronic trading systems	\$2.1 million

Court proceedings

The Eastern Magistrates' Court convicted Chow Chiu Chi, company secretary of China Automation Group Limited, of insider dealing in the company's shares. Chow was sentenced to 45 days of imprisonment and fined \$45,000.

We commenced legal proceedings in the Court of First Instance to seek disqualification orders against Zhou Ling, former chairman and executive director of New Ray Medicine International Holding Limited, and Dai Haidong, the company's former chief executive officer and executive director, for allegedly committing corporate misconduct and breaching their duties to the company. We are also seeking a court order for Zhou to pay compensation to the company.

Disciplinary actions

We disciplined three licensed corporations and three individuals during the quarter resulting in total fines² of approximately \$2.72 billion.

¹ Philip Suen Yick Lun, Paul Suen Cho Hung, Lau King Hang, Huang Zhencheng, Weng Yixiang and Wong Kwok Tai.

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

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Other regulatory breaches

Name	Breaches	Action
Pang Hon Pan	Breached staff trading policy and made a wilful misrepresentation to the Securities and Futures Appeals Tribunal	Banned from re-entering the industry for 21 months
Sandra Cheung Wing Yi	Maintained an external securities trading account and conducted personal trades in the account without approval by the firm	Suspended for 12 months
Chan Shun King	Conducted unauthorised transactions in client accounts	Banned from re-entering the industry for 24 months

Restriction notice

During the quarter, we issued a restriction notice to CNI Securities Group Limited prohibiting it from dealing with or processing certain assets held in three client accounts which are related to suspected market manipulation. Our investigation is ongoing.

Market surveillance

Our surveillance of untoward price and turnover movements resulted in 2,157 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 cooperation with the CSRC

In December, we held the tenth high-level meeting on cross-boundary enforcement cooperation with the China Securities Regulatory Commission (CSRC) together with a four-party meeting with the Enforcement Bureau of the CSRC, the Commercial Crime Bureau of the Hong Kong Police Force and the Securities Crime Investigation Department of the Mainland Ministry of Public Security to discuss collaboration in combating cross-boundary securities crime. The four authorities exchanged views on cooperation mechanisms and their respective legal environments. The CSRC Investor Protection Bureau introduced the special representative litigation mechanism for securities disputes set out under the new Mainland Securities Law.

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Enforcement activities

	Quarter ended 31.12.2020	Nine months ended 31.12.2020	Nine months ended 31.12.2019	YoY change (%)
S179 ^a inquiries commenced	13	29	26	11.5
S181 ^b inquiries commenced (number of letters sent)	58 (2,157)	191 (6,940)	186 (7,415)	-6.4
S182 ^c directions issued	54	140	151	-7.3
Investigations started	61	151	158	-4.4
Investigations completed	44	159	145	9.7
Individuals and corporations charged in criminal proceedings	1	9	5	80
Criminal charges laid	1	12	8	50
Notices of Proposed Disciplinary Action ^d issued	5	18	26	-30.8
Notices of Decision ^e issued	7	26	37	-29.7
Individuals and corporations subject to ongoing civil proceedings ^f	161	161	158	1.9
Compliance advice letters issued	73	182	178	2.2
Cases with search warrants executed	10	14	14	0

a Section 179 of the Securities and Futures Ordinance (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 reporting period.