
STATEMENT OF DISCIPLINARY ACTION

The Disciplinary Action

1. The Securities and Futures Commission (**SFC**) has banned Mr Chan Hau Wing (**Chan**) from re-entering the industry for two years from 13 July 2016 to 12 July 2018 pursuant to section 194 of the Securities and Futures Ordinance (**SFO**).
2. Chan is licensed under the SFO to carry on Type 2 (dealing in futures contracts) regulated activity and was accredited to Yue Xiu Futures Company Limited (**Yue Xiu Futures**) until March 2014. Chan is currently not licensed by the SFC nor registered with the Hong Kong Monetary Authority.
3. The SFC found Chan conducted unauthorized trades in a client's account (the **Account**) and acted contrary to the internal policy of Yue Xiu Futures Company Limited (**Yue Xiu Futures**) on 8 February 2014.
4. Chan's conduct fell short of the standard set out in General Principle 2 (diligence) and paragraph 7.1 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission, and cast doubt on his fitness and properness to be a licensed person.

Summary of facts

5. On 8 February 2014, at around 1:10 am, the client telephoned and instructed Chan to close out the crude oil contracts in the Account. At the time, there was a short position of 13 crude oil futures contracts in the Account. In other words, the instruction was to buy 13 crude oil futures contracts at the prevailing market price of US\$98.47 per contract.
6. Instead of placing a buy order, Chan mistakenly placed an order to sell 13 crude oil futures contracts at US\$98.47 per contract at 1:11 am (the **Error Trade**). Thereafter, Chan traded in the Account without the client's authorisation and conducted the following crude oil futures trades:
 - (a) sold 13 contracts at US\$99.21 per contract at around 2:29 am;
 - (b) sold 13 contracts at US\$99.23 per contract at around 2:49 am;
 - (c) bought 13 contracts at US\$99.94 per contract at around 4:12 am;
 - (d) bought 13 contracts at US\$99.94 per contract at around 4:13 am;
 - (e) bought 13 contracts at US\$99.94 per contract at around 4:17 am; and
 - (f) bought 13 contracts at US\$99.94 per contract at around 4:18 am.
7. Chan did not report to Yue Xiu Futures about the trades until the afternoon of 10 February 2014, when the responsible office asked him to explain about the matter after the client made enquiries with Yue Xiu Futures about the trades in the Account.

8. Yue Xiu Futures' internal policy (the **Internal Policy**) provides that when there is a trading error, the erroneously placed order should be handled immediately using a designated error account and the senior management should be notified at once.

Conclusion

9. General Principal 2 of the Code of Conduct stipulates a licensed representative is expected to exercise due skill, care and diligence, and act in the best interests of clients when carrying on regulated activities. Further, paragraph 7.1 of the Code of Conduct provides that a licensed person should not effect a transaction for a client unless before the transaction is effected the client, or a person designated in writing by the client, has specifically authorized the transaction.
10. Chan did not act in the best interests of the client when he conducted the unauthorised trades in the Account without the client's authorization. He also acted contrary to the Internal Policy when he did not immediately close out the Error Trade and report the trading error to Yue Xiu Futures' management.
11. In the circumstances, Chan has breached General Principal 2 and paragraph 7.1 of the Code of Conduct, and his misconduct cast doubt on his fitness and properness to be a licensed person.
12. In coming to the decision to take disciplinary action against Chan as set out in paragraph 1 above, the SFC took into account all relevant circumstances, including Chan's clean disciplinary record at the time of the misconduct.