



# SFC Enforcement Reporter

A monthly summary of SFC enforcement action

March 2006

## Highlights

### In February 2006, the SFC:

- prosecuted four companies and two people for breaking securities laws
- disciplined four people

## Prosecution

### Individual prosecuted for aiding and abetting unlicensed activities and failing to assist SFC investigation

Between March and July 2004, Ms Tan King Yu, a licensed representative and sales manager of Hong Kong Forex Investment Limited, aided and abetted an unlicensed sales trainee to solicit leveraged foreign exchange trading clients. The sales trainee was convicted earlier of engaging in leveraged foreign exchange trading whilst unlicensed. Tan also failed to give SFC investigators assistance in connection with the investigation without reasonable excuse. Tan was fined \$10,000 and ordered to pay the SFC's investigation costs.

(Press release issued on 8 February 2006)

*It is a criminal offence to carry out regulated activities without being licensed. The SFC will prosecute those who engage in or aid and abet unlicensed activities. People who have information relevant to an investigation have a legal duty to give SFC investigators all assistance they are reasonably able to give. Those who fail to do so will face a maximum fine of \$50,000 and imprisonment. Licensees who commit these offences will also be disciplined.*

### Prosecutions for failure to disclose interests

Heritage International Holdings Ltd, Coupeville Ltd and Dollar Group Ltd pleaded guilty to their failing to notify SEHK and 139 Holdings Ltd of the increase in their interests, respectively, in 139 Holdings shares. The three companies were fined a total of \$15,000 and ordered to pay the SFC's investigation costs.

(Press release issued on 10 February 2006)

New-Alliance Asset Management (Asia) Ltd pleaded guilty to its failure to make initial disclosure of its interest in Shandong Weigao Group Medical Polymer Company Ltd and subsequent disclosures of increases of its interest in that company. New-Alliance was fined a total of \$12,000 and ordered to pay the SFC's investigation costs.

(Press release issued on 23 February 2006)

Mr Tsoi Man Chi pleaded guilty to failing to notify SEHK and Northern International Holdings Ltd within the specified period regarding his acquisition of Northern International shares. Tsoi was fined \$4,000 and ordered to pay the SFC's investigation costs.

(Press release issued on 23 February 2006)

*As we mentioned repeatedly in previous issues of the SFC Enforcement Reporter, timely disclosure of interests in listed companies is essential for the operation of an open and transparent market. The SFC will continue to prosecute people who fail to comply with the disclosure requirements.*

## Discipline

### Reprimand and voluntary payment for improper conduct in handling internal documents

As a result of a settlement, the SFC reprimanded Mr Yau Shu Cheung Gary, a responsible officer of T G Holborn (Hong Kong) Ltd, for improper conduct in handling internal client administration documents. Yau also agreed to make a voluntary payment of \$146,000 in lieu of a one-month suspension. Yau negligently signed on an internal client administration form which incorrectly recorded Yau as the consultant to a client, when in



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fact an unlicensed representative was the consultant. In settling the disciplinary action, the SFC took into account that Yau had a clear record and this was a one time error; there was no loss caused to T G Holborn or any other person; Yau made no money off the relevant client; and Yau co-operated with the SFC.

(Press release issued on 1 February 2006)

*All licensees, including responsible officers, must take reasonable care to ensure that all material paperwork relating to a firm's business or its compliance with law and regulation is accurate so that the firm and the regulator can monitor compliance. Those who deliberately falsify such documents will face harsher penalties and possible criminal prosecution.*

## **Suspension for improper conduct including failures relating to unsolicited calls**

The SFC suspended Mr Siu Hon Ming for five weeks for improper conduct including failures relating to unsolicited calls. Between March and June 2002, Siu, a former senior business manager of Hantec International Ltd, asked a broker trainee to make unsolicited calls with a view to soliciting clients. Siu also paid an introductory fee to another broker trainee for introducing his relative to open an account with Hantec. Both trainees were not registered with the SFC. Siu also signed on the account opening documents of a client solicited to certify that he had witnessed the signing of the documents by the client, and that he had explained the contents of the documents to the client, when in fact he was not present when the client signed the documents. On 21 October 2004, when Siu was a licensed representative of Shun Loong Forex Company Ltd, he failed to record the order instructions and confirmations of a client in Shun Loong's centralised telephone recording system. He also failed to record the order details on trading blotters or dealing tickets. Further, he failed to submit Commission Fee Payable Forms of that client to Shun Loong on a timely basis.

(Press release issued on 13 February 2006)

*Regulated persons are expected to follow their employers' internal procedure and other rules and guidelines issued by the SFC. Unsolicited calls are prohibited because investors may be pressured into making hasty investment decisions. It is also important to submit Commission Fee Payable Forms on a timely basis and record client orders to avoid unnecessary disputes with clients who might not agree with the commission charged and orders placed.*

## **Ban from re-entering the industry for facilitating unlicensed dealing activities**

The SFC banned Mr Wong Tak Yuen Adrian, a former securities dealer's representative of VC CEF Brokerage Ltd (now known as VC Brokerage Ltd), from re-entering the industry for three years for facilitating an unlicensed person to impersonate his brother, a manager at VC, to engage in unlicensed activities. From July 2003 to February 2004, Wong, who had known the brothers for a considerable period of time, facilitated the unlicensed person to act in place of his brother in handling client orders directly thereby breaching his fiduciary duty owed to VC. In settling the disciplinary action, the SFC took into account that Wong had a clear record; there was no reported loss caused to VC or any other person; and Wong co-operated with the SFC.

(Press release issued on 20 February 2006)

*The SFC takes a serious view of dishonesty as well as supervisory failings. The SFC will continue to take appropriate action against members of the industry who fail to comply with the regulatory requirements.*

## **Ban from re-entering the industry for providing false information at an SFC interview, allowing clandestine and unauthorised third party orders and operating discretionary accounts without written authorisation**

The SFC prohibited Mr Ng Hung Yu from applying to become a regulated person for two years and nine months for providing false information at an SFC interview, allowing clandestine and unauthorised third party orders and operating discretionary accounts without written authorisations. From November 2002 to April 2003, Ng, a former licensed representative of Grand Cathay Securities (Hong Kong) Ltd, placed personal orders and discretionary orders without authorisation in six clients' accounts. Ng also allowed an unauthorised third party to place orders in two clients' accounts in circumstances where he should have been aware that there were tell tale signs of market misconduct. When the SFC interviewed Ng, Ng lied that he had not placed personal orders in the clients' accounts. Ng's unauthorised third party trades put Grand Cathay and Ng's clients at risk of litigation and financial losses of around \$800,000. In deciding the prohibition period, the SFC considered that Ng had a clean disciplinary record, admitted his fault and was remorseful.

(Press released issued on 22 February 2006)



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*Giving false and misleading information to the SFC during its enquiries and allowing clandestine and unauthorised third party orders are both serious matters. The SFC will not hesitate to impose lengthy prohibitions against unfit and improper people to keep them away from the industry and to protect investors from being preyed upon.*

## Miscellaneous

### **Public Statement about an individual who facilitated unlicensed dealing in securities**

The SFC made a public statement about Ms Sun Po Yee, a former securities dealer's representative. From March 2000 to October 2001, Sun knowingly facilitated an unlicensed settlement clerk's dealing in securities for clients by allowing the settlement clerk to book the accounts solicited by the settlement clerk under Sun's name as the account executive, receive orders from these accounts and pass orders to her for inputting into the trading terminal. Sun also signed on the account opening forms of these accounts to certify that she had witnessed the signing of the documents by the clients, when in fact she had never met the clients. Sun expressed regret over her conduct and consented to the SFC's public statement. She has co-operated with the SFC in addressing its concerns. The SFC is considering her licence application.

(Press release issued on 6 February 2006)

*Under the SFC's licensing regime, only licensed representatives can conduct regulated activities on behalf of a licensed corporation. People who facilitate unlicensed persons to engage in regulated activities may be disciplined and/or prosecuted.*

## General Enforcement Statistics

From 1 April 2005 to end of February 2006, the SFC successfully prosecuted 67 entities and offered no evidence against three entities. In the same period, the SFC took action against 84 licensees for various regulatory breaches of which three cases were settled with voluntary payments with no formal sanction imposed. Another six licensees settled with voluntary payments and received statutory sanctions.

*If you want to know more, the SFC's press releases are available at [www.sfc.hk](http://www.sfc.hk).*

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**CONTACT US** – Media Enquiry: (852) 2840 9287 / Investor Hotline: (852) 2840 9333 / Email: [enquiry@sfc.hk](mailto:enquiry@sfc.hk) / Feedback: [enforeporter@sfc.hk](mailto:enforeporter@sfc.hk)