

Highlights

In October 2006, the SFC disciplined five licensees

Discipline

Licensee banned for life for misappropriating client assets and false accounting

The SFC banned Mr Charles Lee Schmitt from re-entering the industry for life for misappropriating client assets and being convicted of false accounting. The SFC found that Schmitt had diverted the investors' subscription proceeds for a fund which he advised for his own use by allocating the proceeds to dummy funds and bank accounts with which he was connected. Schmitt was arrested by the Police and was convicted, after pleading guilty, of 19 counts of false accounting. Schmitt consented to the SFC decision. The fund is in the process of being liquidated and 219 investors were fully compensated for their investment and 849 other investors are expected to receive 60% to 70% of their investment in the fund.

(Press releases on 15 and 16 June 2004 and
18 October 2006)

Theft and forgery are serious misconduct that will not be tolerated. The SFC will not allow dishonest licensees to participate in the market and put investors at risk.

Supervisors who facilitated unlicensed activities suspended

The SFC reprimanded Peace Town Forex Limited (PT Forex) and suspended its responsible officers, Mr Chan Sheung Chi Steven and Mr Chou Si Kit, for three years and 10 weeks respectively for facilitating unlicensed persons to conduct leveraged foreign exchange trading. The SFC found that PT Forex used a dormant company to fund commission payments to people who carried on leveraged foreign exchange trading without a licence. Despite knowing about the arrangement, Chan failed to stop the unlawful activity from continuing and suggested how the payments could be concealed to avoid suspicion. The SFC also found that Chou failed to question why such payments were being made from a dormant company.

(Press releases on 1 April 2003 and 10 October 2006)

The licensing system is to ensure that only fit and proper people are allowed to join the industry. Facilitating unlicensed activities is serious misconduct because it prejudices the interests of the investing public and ultimately the market. Supervisors who aid and abet unlicensed activities will receive tough penalties.

Lengthy suspension for market manipulator

The SFC suspended Mr Tsoi Bun for 15 months for manipulating the calculated opening price (COP) of the HSI futures contracts during the pre-market opening periods on 3 May and 13 August 2002. Tsoi artificially raised the final COPs on those two days and made a profit of about \$510,000 through his net short positions.

(Press release on 12 October 2006)



SFC Enforcement Reporter

A monthly summary of SFC enforcement action

證監會 November 2006

The SFC will punish activities which undermine the integrity of the market. Market manipulation is serious misconduct because it creates a false perception of the market that could mislead investors. The SFC will continue to take tough action against market manipulators and exclude them from the industry for lengthy periods.

General Enforcement Statistics

From 1 April 2006 to end of October, the SFC successfully prosecuted 35 entities. In the same period, the SFC took disciplinary action against 53 licensees for various regulatory breaches. In addition, the SFC entered into settlements with three licensees with no formal sanction imposed.

If you want to know more, the SFC's press releases are available at www.sfc.hk.

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