

Highlights

In February 2007, following the SFC investigations:

- three people were jailed; and
- the SFC disciplined three licensees

Prosecution

Ex-licensees jailed for misappropriation

The SFC welcomed the Court's prison sentences of 17 months for Mr Cheung Yum Hoi, and 14 months for both Mr Choi Tsz Ming and Ms Fung Yuen Kwan for offences relating to misappropriation of client assets resulting from a police prosecution. Following a circularisation exercise in 2002, the SFC investigations revealed the misappropriation by these three ex-staff of the now-liquidated Lawsons Securities Company and the SFC reported the case to the Commercial Crime Bureau.

(Press release issued on 2 February 2007)

The misconduct in this case was uncovered by a process in which clients were asked to confirm account information to the auditor (circularisation). Circularisation exercises like these are an effective way of detecting misappropriation and unauthorised trading by brokers. Clients are strongly recommended to co-operate with audit confirmation requests promptly and accurately upon receipt. Circularisation not only helps the regulator to detect misconduct, it also protects investors' interests and assures the integrity of their accounts.

Discipline

Licensee banned for life for failing to account for client assets in suspicious circumstances

The SFC revoked the license of Mr Kwok Wood Yan, a responsible officer of Tiffit Securities (Hong Kong) Ltd, and banned him from re-entering the industry for life. The SFC investigations revealed that securities that belonged to clients of Tiffit were transferred out of their accounts or sold without their instructions or authorisation. Part of the sale proceeds of the missing shares were subsequently traced to Kwok's personal bank account, which Kwok failed to account for or explain. Kwok's uncooperative attitude during the SFC's investigations and his disciplinary history were also factors in the disciplinary decision.

(Press release issued on 28 February 2007)

Licensee banned for life for misappropriating client assets

The SFC banned Mr Wong Ka Chun from re-entering the industry for life for misappropriating client assets. The SFC investigations revealed that Wong, a former licensee accredited to Lucky Securities Company Limited, had misappropriated client assets and concealed the misappropriation by withholding genuine transaction records from the relevant clients.

(Press release issued on 22 February 2007)

Safeguarding client assets is a basic duty of a broker and a broker must be ready and able to account for client assets at all times. Theft and failing to account for client assets in suspicious circumstances is very serious misconduct and the SFC will not allow dishonest licensees or licensees who cannot accurately account for client assets to participate in the market and put investors at risk.



SFC Enforcement Reporter

A monthly summary of SFC enforcement action

證監會 March 2007

Ex-licensee banned for making a false declaration

The SFC prohibited Mr Tong Chi Ping, a former licensed representative of Hantec International Ltd, from re-entering the industry for four months for making a false declaration in a client's account opening documents. During the course of an SFC investigation into cold calling, it was found that Tong declared in a new client's account opening documents that the client came to know Hantec through the Internet and telephoned Hantec to open an account, despite knowing that such information was incorrect.

(Press release issued on 5 February 2007)

Dishonesty, including that relating to the circumvention of rules, will not be tolerated by the SFC and will result in sanctions, usually excluding the person concerned from the industry for an appropriate period of time to protect the public, keep industry standards high and maintain public confidence in the industry.

General Enforcement Statistics

From 1 April 2006 to February 2007, the SFC successfully prosecuted 50 entities. In the same period, the SFC took disciplinary action against 75 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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Invitation to improve the SFC Enforcement Reporter

The SFC is currently reviewing the SFC Enforcement Reporter and invites suggestions and comments from licensed intermediaries and subscribers about what information they would like to see or what improvement can be made in future SFC Enforcement Reporters. Feedback can be sent by email to: enfreporter@sfc.hk.