

Highlights

In November, the SFC:

- convicted 6 people and firms
- disciplined 3 market intermediaries

Prosecution

More convictions for unlicensed dealing

Ms Wong Lai Sze pleaded guilty to acting as a dealer's representative of President Securities (Hong Kong) Ltd when still accredited to another broker firm. President and its managing director, Mr Ma Chun Wah, also pleaded guilty to aiding and abetting Wong. All three were fined and ordered to pay the SFC's investigation costs.

(Press release issued on 18 November 2003)

Licensees who jump the gun by dealing in securities before formal accreditation to their new firm has been completed, and firms which turn a blind eye to such dealing seriously jeopardise client assets and market integrity. Licensees who do so will face likely prosecution and disciplinary action. Firm managers and fellow representatives who facilitate such conduct can expect lengthy suspensions, heavy fines or harsher disciplinary action as well as possible criminal records.

Disclose your interests on time or risk prosecution

Mr Cheung Kee Wee, Mr Cheung Lin Wee and Mr Cheung Ying Wai Eric, directors of Wah Ha Realty Company Limited, were all convicted of failing to disclose to the stock exchange and Wah Ha (i) their interest in Wah Ha shares and the shares in Wah Ha's associated company and (ii) their subsequent cessation of interest in Wah Ha shares, within five days. Each were fined \$15,000 and ordered to pay the SFC's investigation costs.

(Press release issued on 18 November 2003)

People who hold substantial interests in listed company securities must familiarise themselves with the disclosure requirements. In particular, you are reminded of the increased disclosure requirements under the SFO and the shortened notice period from five to three business days.

Discipline

Suspension for internal control failings

The SFC suspended the licences of Mrs Lee Cheng Suet Chun and Mr Lee Kai Yan, both dealing directors of Kwan Yick Securities (International) Ltd, for two months and reprimanded Kwan Yick. Kwan Yick was found to have a number of internal control failings. These included weak control over account opening procedures and the issue and delivery of trading documents; inadequate segregation of clients' dealing and settlement duties and inadequate monitoring of discretionary accounts and staff accounts.

(Press release issued on 24 November 2003)

The SFC views extremely seriously weak internal controls in a brokerage as both the firm and its client are put at risk of theft and other dishonest acts by the firm's employees. After 1 April 2003, the SFC will consider suspending or fining firms and its management particularly if they repeatedly fail to strengthen their internal controls.



SFC Enforcement Reporter

A monthly summary of SFC enforcement action

December 2003

General Enforcement Statistics

Since 1 April 2003, the SFC has successfully prosecuted 42 people and disciplined 58 licensees.

Readers' Feedback

We would welcome your comments on how you think the *Enforcement Reporter* can be improved. Please send your comments to enfreporter@hksfc.org.hk.

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