



SFC Enforcement Reporter

A monthly summary of SFC enforcement action

January 2003

Highlights

In December 2002 the SFC:

- convicted two people for breaking the securities disclosure law
- disciplined six intermediaries for various regulatory breaches

Prosecution

[Failure to disclose trades results in two more convictions](#)

Both Mr Pong Kam Wah, a director of Proactive Technology Holdings Ltd, and Mr Sat Pal Khattar, a non-executive director of Guoco Group Ltd, pleaded guilty to failing to disclose their dealings in their respective companies' shares to the HKEx within five business days in breach of the **Securities (Disclosure of Interests) Ordinance**. Both were fined and ordered to pay the SFC's investigation costs.

(Press release issued on 24 December 2002)

It is important for substantial shareholders, directors and CEOs of listed companies to disclose their relevant securities transactions or risk prosecution.

Since April 2002, the SFC has successfully prosecuted 18 people for breaches of listed companies securities disclosure law.

Discipline

[Breach of licence condition and other failings lead to suspension](#)

The SFC suspended Mr Lou Tak Ki's licence and registrations for three weeks for breaching a condition on his licence that prohibits him from conducting discretionary forex trades. Lou also dishonestly signed as a witness to the opening of an account when he was in fact not present. Furthermore, he did not keep proper records of clients' orders nor did he exercise adequate supervision to prevent a team member from conducting unauthorised trades.

(Press release issued on 12 December 2002)

Licensees must adhere strictly to the conditions imposed on their licences. We will take disciplinary action against any licensee who breaches such conditions or fails to maintain proper records and exercise adequate supervision. We will not tolerate dishonesty in any form and will punish any registered person who commits a dishonest act.

[SFC does not tolerate non-observance of requirements relating to discretionary accounts](#)

The SFC has taken disciplinary actions against two dealer's representatives for their failings in the operation of discretionary accounts.

- Mr Leung Wai Yip Ringo was reprimanded for failing to inform South Capital Brokerage Ltd, that five of his clients had signed discretionary agreements. As a result, South China could not put in place measures for the safe operation of the discretionary accounts.
- Mr Tsui To Kwong of Phillip Securities (HK) Ltd, was reprimanded for conducting numerous discretionary trades in a client's account in breach of Phillip's internal policies prohibiting such trades and for his failure to obtain prior written authorisation from his client before conducting the discretionary trades.

(Press releases issued on 19 and 20 December 2002 respectively)



SFC Enforcement Reporter

A monthly summary of SFC enforcement action

January 2003

Leung and Tsui are not the first we've disciplined for such failings. We remind registered persons once again of the importance of obtaining written authority from clients before conducting discretionary trades and to inform their employers that such authority has been given by clients. We take such failings seriously as such action is likely to prejudice clients' interests and cause financial risk to brokerage firms if the clients dispute the validity of the discretionary trades.

[Companies that fail to maintain adequate capital may lose their licences](#)

Pacific Sun Investment (HK) Ltd and its sole supervisory director, Mr Andrew Pieter Mantel, have had their penalties reduced on appeal from licence revocations to a reprimand for their failure to maintain the minimum level of net tangible assets, to submit annual audited accounts on time and to maintain proper records in breach of the **Financial Resources Rules**. However, the reduction is conditional: if Pacific Sun and Mantel cannot inject new capital within a stipulated period, their registrations will be revoked.

(Press release issued on 12 December 2002)

The SFC reminds registered persons to comply with the Financial Resources Rules or face possible revocation of their licences. The Securities and Futures Appeals Panel's decision upholds the SFC's hard line on breaches of the FRR, but has given Mantel and Pacific Sun one last chance to comply.

General Enforcement Statistics

Since April 2002, the SFC has successfully prosecuted 29 people and disciplined 57 entities.

If you want to know more, the SFC's press releases are available on the Commission's website at www.hksfc.org.hk under the section "Press Releases, Speeches & Publications".

If you want to subscribe and receive the Reporter monthly by email, simply register for the SFC's Website Update Email Alert service on our homepage and select SFC Enforcement Reporter. Intermediaries licensed by the SFC receive the Reporter monthly from their FINNET email accounts.

CONTACT US – Media Enquiry: (852) 2840 9287 / Investor Hotline: (852) 2840 9333 / Email: enquiry@hksfc.org.hk