

# Enforcement

## Court rulings

During the quarter, the Court of Final Appeal (CFA) dismissed the appeal of Eric Lee Kwok Wa, a solicitor, and his sisters, Patsy Lee Siu Ying and Stella Lee Siu Fan, against the judgment of the Court of Appeal (CA), thereby affirming the original determination that they had engaged in fraudulent or deceptive conduct in transactions involving the shares of Taiwan-listed Hsinchu International Bank Company Limited.

The CFA allowed our appeal against the findings of the Market Misconduct Tribunal (MMT) that two former executives of Asia Telemedia Limited<sup>1</sup>, Charles Yiu Hoi Ying and Marian Wong Nam, had not engaged in insider dealing. The CFA held that they failed to establish that they did not use inside information for financial gain. The CFA set aside the orders made by the CA and the MMT and remitted the matter back to the MMT to deal with sanctions.

The Court of First Instance (CFI) ordered three unlicensed companies<sup>2</sup> to compensate 14 investors a total of about \$600,000, which had been subject to an interim injunction obtained by the SFC under section 213<sup>3</sup> of the Securities and Futures Ordinance (SFO). These companies had solicited investors to open trading accounts to invest in securities and futures products. However, no trades were executed and investors were not able to recover their money.

## Market Misconduct Tribunal

During the quarter, we commenced proceedings in the MMT against the following companies and persons for allegedly failing to disclose inside information as soon as reasonably practicable:

- Health and Happiness (H&H) International Holdings Ltd<sup>4</sup> and Luo Fei, its Chairman, Chief Executive Officer and Executive Director; and
- CMBC Capital Holdings Limited<sup>5</sup> and six of its former directors and senior executives<sup>6</sup>.

<sup>1</sup> Now known as Yunfeng Financial Group Limited.

<sup>2</sup> Cardell Limited or Cardell Company Limited, Waldmann Asset Management and Doyle Hutton Associates.

<sup>3</sup> Section 213 of the SFO gives the SFC the power to apply to the CFI for injunctions and other orders under specified conditions.

<sup>4</sup> Formerly known as Biostime International Holdings Limited.

<sup>5</sup> Formerly known as Mission Capital Holdings Limited.

<sup>6</sup> Philip Suen Yick Lun (former Chief Executive Officer and Company Secretary), Paul Suen Cho Hung (former Chairman), Lau King Hang (former Executive Director) and three former Independent Non-Executive Directors, Huang Zhencheng, Weng Yixiang and Wong Kwok Tai.

<sup>7</sup> Fines paid by intermediaries in disciplinary actions go into the general revenue of the Government.

<sup>8</sup> Now known as China Silver Asset Management (Hong Kong) Limited.

## Disciplinary actions

We disciplined two licensed corporations and four representatives during the quarter, resulting in total fines<sup>7</sup> of \$2.3 million.

## Mis-handling client money

We banned Lok Wai Fong, a former employee of Bank of China (Hong Kong) Limited, from re-entering the industry for life for unauthorised transfers of client money and failure to act on client instructions.

We banned Kong Kar Bong, a former account executive of Sanfull Securities Limited, from re-entering the industry for 10 years for misappropriating client money and forging an account statement.

## Other regulatory breaches

We reprimanded and fined SFM HK Management Limited \$1.5 million for failures relating to the short selling of Great Wall Motor Company Limited shares in 2015 on behalf of a fund it managed.

We suspended the licences of Chan Ho Wai and Lam Wai Kit, responsible officers of FT Securities Limited, for nine months for failing to exercise due skill, care and diligence in handling research reports issued by the firm. They also failed to ensure that the firm maintained appropriate standards of conduct and adhered to proper procedures.

We reprimanded and fined Ardon Maroon Fund Management (Hong Kong) Limited<sup>8</sup> \$800,000 for cross-trade failures in managing the Ardon Maroon Asia Master Fund.

## Enforcement

### Market surveillance

In the quarter, we made 2,597 requests for trading and account records from intermediaries as a result of our surveillance of untoward price movements and turnover. In addition, we posted two high shareholding concentration announcements on our website to remind investors to exercise caution when trading shares in companies where a small number of shareholders hold a high concentration of shares.

### Fostering enforcement cooperation

We co-organised our third joint training with the China Securities Regulatory Commission (CSRC) in Shenzhen in November where we discussed the latest developments in digital forensics and the application

of big data in law enforcement. The more than 120 participants included experts from the Economic Crime Investigation Department of the Ministry of Public Security, Hong Kong Police, Independent Commission Against Corruption and an overseas digital forensic firm, as well as SFC and CSRC staff.

In December, the SFC and CSRC held their seventh regular high-level meeting on enforcement cooperation in Hong Kong. We discussed a range of matters, including market surveillance workflows and procedures and the progress of high-priority investigations. These meetings are crucial to combat cross-boundary market misconduct and for the orderly operation of the Mainland-Hong Kong mutual market access programme.



SFC-CSRC joint training in Shenzhen



Seventh SFC-CSRC regular high-level meeting on enforcement cooperation