

# Enforcement

## Court proceedings

- We obtained a compensation order under section 214<sup>1</sup> of the Securities and Futures Ordinance (SFO) in the Court of First Instance (CFI) against Chin Jong Hwa, the former chairman and executive director of Minth Group Limited, ordering him to compensate the group's wholly-owned subsidiary RMB20.3 million for losses due to his misconduct. Chin and three other former executive directors were disqualified from being directors or being involved in the management of any listed or unlisted corporation in Hong Kong for three to six years.
- We obtained disqualification orders in the CFI against the former chairman and three other former executive directors of Inno-Tech Holdings Limited. All were disqualified for three years for failing to exercise due and reasonable skill, care and diligence in the company's acquisition of three hotels.
- The Eastern Magistrates' Court convicted Ken Yiu Ka Lun, a former senior regulatory affairs manager of Hong Kong Television Network Limited, for insider dealing in the company's shares. He was sentenced to two and a half months' imprisonment and ordered to pay a fine of \$165,000.
- We commenced proceedings to seek compensation and disqualification orders under section 214 of the SFO against Cheng Wai Tak, the chairman and executive director of Perfect Optronics Limited, and its five directors for alleged breach of fiduciary duties.

## Market Misconduct Tribunal

During the quarter, we commenced proceedings in the Market Misconduct Tribunal against China Medical & HealthCare Group Limited<sup>2</sup> for allegedly failing to disclose information in relation to its significant gains in securities trading and its profit figures as soon as reasonably practicable, and against six of the company's directors for their reckless or negligent conduct causing the alleged breach.

## Disciplinary actions

We disciplined five licensed corporations and five individuals during the quarter, resulting in total fines<sup>3</sup> of \$413.3 million.

## Internal control deficiencies

- We reprimanded and fined UBS AG \$400 million for overcharging its clients over a ten-year period through post-trade spread increases and excess charges, and for related serious internal control failures. The overcharges affected about 5,000 Hong Kong-managed client accounts and involved about 28,700 transactions.
- We reprimanded and fined China Rise Securities Asset Management Company Limited<sup>4</sup> \$6.3 million for internal control failures and regulatory breaches related to short selling orders, cross trades and record keeping.
- We reprimanded and fined Adamas Asset Management (HK) Limited \$2.5 million for failing to implement adequate measures to ensure proper disclosure of notifiable interests in the shares of Hong Kong-listed companies in client portfolios.

<sup>1</sup> Under section 214, the SFC may seek disqualification, compensation and other orders for breaches of duty by current or former directors of listed corporations.

<sup>2</sup> Formerly known as COL Capital Limited.

<sup>3</sup> Fines paid by intermediaries in disciplinary actions go into the general revenue of the Government.

<sup>4</sup> Formerly known as China Rise Securities Company Limited.

## Enforcement

### Unauthorised transactions

- We banned Vincent Ng Lok Kan, a former licensed representative of Sun Hung Kai Investment Services Limited, from re-entering the industry for 30 months for effecting unauthorised transactions through a client's account to push up a warrant's price when selling his personal holdings.
- We banned Song Baojun, a former relationship manager of The Hongkong and Shanghai Banking Corporation Limited, for 12 months for not obtaining a client's specific authorisation before conducting unit trust transactions and failing to advise the client to adopt a lower cost option for other transactions.

### Other regulatory breaches

- We reprimanded and fined FIL Investment Management (Hong Kong) Limited \$3.5 million for regulatory breaches including unlicensed dealing in futures contracts.
- We reprimanded and fined SEAVI Advent Ocean Private Equity Limited \$1 million for breach of the Code of Conduct<sup>5</sup> in allowing its director and an investment manager, who were not licensed, to carry out regulated activities.
- We banned Ma Sin Chi, a former responsible officer of Deutsche Securities Asia Limited, from re-entering the industry for life following his conviction of accepting bribes of around \$6.4 million from a client.

- We banned Ang Wing Fung, former chairman of W. Falcon Asset Management (Asia) Limited, and Chan Kam Wah, former chief financial officer and company secretary, from re-entering the industry for life and three years respectively in connection with their roles in window-dressing the company's liquid capital. We revoked the company's licence in February 2019 for this and other failures.

### Restriction notice

We issued a restriction notice to Hong Kong Wan Kiu Investment Company Limited prohibiting it from carrying on regulated activities for which it is licensed and dealing with client assets. Our investigation is ongoing.

### Market surveillance

Our surveillance of untoward price and turnover movements resulted in 2,345 requests for trading and account records from intermediaries in the quarter. In addition, we published three high shareholding concentration announcements to remind investors to exercise caution when trading shares in companies where a small number of shareholders hold a high concentration of shares.

<sup>5</sup> Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.

## Enforcement

### Enforcement activities

	Quarter ended 31.12.2019	Nine months ended 31.12.2019	Nine months ended 31.12.2018	YoY change (%)
S179 <sup>a</sup> inquiries commenced	5	26	19	36.8
S181 <sup>b</sup> inquiries commenced (number of letters sent)	58 (2,345)	186 (7,415)	225 (6,734)	10.1
S182 <sup>c</sup> directions issued	31	151	179	-15.6
Investigations started	32	158	180	-12.2
Investigations completed	55	145	191	-24.1
Individuals and corporations charged in criminal proceedings	0	5	4	25
Criminal charges laid	0	8	37	-78.4
Notices of Proposed Disciplinary Action <sup>d</sup> issued	9	26	13	100
Notices of Decision <sup>e</sup> issued	11	37	27	37
Individuals and corporations subject to ongoing civil proceedings <sup>f</sup>	158	158	98	61.2
Compliance advice letters issued	45	178	182	-2.2
Cases with search warrants executed	6	14	24	-41.7

<sup>a</sup> Section 179 of the Securities and Futures Ordinance (SFO) gives the SFC the power to compel the production of records and documents from persons related to a listed company in relation to fraud or other misconduct.

<sup>b</sup> Section 181 of the SFO gives the SFC the power to require information from intermediaries about trading transactions, including information identifying the ultimate clients, the particulars and instructions relating to the transactions.

<sup>c</sup> Section 182 of the SFO gives the SFC the power to investigate SFO offences, market misconduct, fraud, misfeasance and disciplinary misconduct.

<sup>d</sup> A notice issued by the SFC to regulated persons that it proposes to exercise its disciplinary powers, on grounds that they appear to be guilty of misconduct or not fit and proper.

<sup>e</sup> A notice which sets out the SFC's decision and its reasons to take disciplinary action against regulated persons.

<sup>f</sup> As of the last day of the reporting period.