

# Enforcement

## Market Misconduct Tribunal

During the quarter, we commenced Market Misconduct Tribunal proceedings against Tom Tang Chung Yen, former chairman and an executive director of Meadville Holdings Limited, and Li Yik Shuen, for alleged insider dealing in the company's shares in 2009.

## Court proceedings

We obtained a disqualification order under section 214<sup>1</sup> of the Securities and Futures Ordinance (SFO) in the Court of First Instance (CFI) against Michelle Kwok Choi Ha, a former executive director of Tack Fat Group International Limited<sup>2</sup>. She was disqualified from being a director or being involved in the management of any listed or unlisted corporation for six years for breaching her director's duties in failing to exercise reasonable care and diligence in managing the company and to act in good faith and in the best interests of the company.

We commenced proceedings under section 213 of the SFO<sup>3</sup> against a group of local and overseas individuals and corporate entities for suspected manipulation of the shares of Ching Lee Holdings Limited. We obtained interim injunctions in the CFI to freeze assets of up to \$124.9 million held by 15 local and overseas entities, representing the combined profit made by them and their nominees from the suspected manipulation.

## Disciplinary actions

We disciplined six licensed corporations and nine licensed representatives during the quarter, resulting in total fines<sup>4</sup> of over \$15 million.

## Mishandling client money

- We reprimanded and fined Celestial Commodities Limited \$4.9 million and Celestial Securities Limited \$1.4 million for regulatory breaches and internal control failures relating to mishandling client money.

## Unauthorised transactions

- We banned Jacky Cheung Chiu Hung, a former employee of Hang Seng Bank Limited, for two years for conducting unauthorised transactions in a customer's accounts and forging a customer's signature.
- We banned Song Peng, a former account executive of Phillip Securities (Hong Kong) Limited, from re-entering the industry for 10 months for effecting transactions in a client's accounts without the client's prior written authorisation and without the knowledge and approval of his then employer.
- We banned Samuel Lee Kwok Tung, a former account executive of DBS Vickers (Hong Kong) Limited, from re-entering the industry for eight months for impersonating a client to confirm trade orders.

## Internal control deficiencies

- We reprimanded and fined Sincere Securities Limited \$5 million for deficiencies in its business operations and internal controls.
- We reprimanded and fined The Hongkong and Shanghai Banking Corporation Limited \$2.1 million for failing to put in place effective internal control procedures to ensure compliance with the telephone recording requirements under the Code of Conduct<sup>5</sup>.
- We reprimanded and fined Glory Sun Securities Limited \$1.2 million for failing to diligently supervise its account executives and implement effective controls to comply with short selling requirements. We also suspended Eva Wong and Alfred Lam Wai Kwong, the firm's current and former responsible officers, for six months.

<sup>1</sup> Under section 214 of the SFO, the court may make orders to disqualify a person from being a director or being involved, directly or indirectly, in the management of any corporation for a period of up to 15 years.

<sup>2</sup> Tack Fat changed its name to Tack Fiori International Group Limited on 23 November 2011 and to Life Healthcare Group Limited on 2 May 2017.

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

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

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- We reprimanded and fined Lee's Securities Company Limited \$520,000 for internal control failures relating to the segregation of duties and handling of client securities.

### Other regulatory breaches

- We banned Tim Leissner, a former responsible officer of Goldman Sachs (Asia) L.L.C., from re-entering the industry for life following his conviction for conspiring to commit money laundering and violate the US Foreign Corrupt Practices Act.
- We banned two individuals from re-entering the industry for life following their convictions for bribery. They are Tu Bing, a former associate director of UBS AG, Hong Kong Branch, and Ye Feng, a former vice president of Bank of Communications Co., Ltd.
- We suspended the licence of Hui Kwok Piu for 16 months following his conviction for illegal short selling in the shares of Coslight Technology International Group Limited.

### Restriction notice

We issued a restriction notice to a broker prohibiting it from dealing with or processing assets held in several client accounts which are beneficially owned by an individual who is suspected of breaching his duties towards a listed corporation.

### Collaboration with ICAC

Following our joint operation with the Independent Commission Against Corruption (ICAC) in December 2017 involving Convoy Global Holdings Limited, the ICAC charged five individuals with conspiracy to defraud<sup>6</sup>. These came after the ICAC first charged Cho Kwai Chee, a former executive director of Convoy Global, with conspiracy to defraud in May 2019.

We entered into a memorandum of understanding with the ICAC in August 2019 to formalise and strengthen our cooperation in combating financial crimes. We also held a three-day joint training workshop for investigators from both the SFC and the ICAC.

### Market surveillance

Our surveillance of untoward price and turnover movements resulted in 2,491 requests for trading and account records from intermediaries in the quarter. In addition, we published two 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>6</sup> These included Chan Lai Yee, Byron Tan Ye Kai and Mak Kwong Yiu, all former executive directors of Convoy Global; Wong Shuk On, a former manager of Convoy Global; and Lee Yick Ming, a general manager of Gransing Securities Co., Limited.

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### Enforcement activities

	Quarter ended 30.9.2019	Six months ended 30.9.2019	Six months ended 30.9.2018	YoY change (%)
S179 <sup>a</sup> inquiries commenced	12	21	12	75
S181 <sup>b</sup> inquiries commenced (number of letters sent)	66 (2,491)	128 (5,070)	145 (4,137)	22.6
S182 <sup>c</sup> directions issued	68	120	120	0
Investigations started	71	126	123	2.4
Investigations completed	53	90	122	-26
Individuals and corporations charged in criminal proceedings	2	5	4	25
Criminal charges laid	3	8	37	-78.4
Notices of Proposed Disciplinary Action <sup>d</sup> issued	9	17	8	112.5
Notices of Decision <sup>e</sup> issued	11	26	21	23.8
Individuals and corporations subject to ongoing civil proceedings <sup>f</sup>	146	146	110	32.7
Compliance advice letters issued	69	133	122	9
Cases with search warrants executed	2	8	15	-46.7

<sup>a</sup> Section 179 of the 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> Notices 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> Notices that set 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 period.