
STATEMENT OF DISCIPLINARY ACTION

The Disciplinary Action

1. The Securities and Futures Commission (**SFC**) has banned Mr Lau Kwo (**Lau**) from re-entering the industry for 12 months pursuant to section 194 of the Securities and Futures Ordinance.
2. The disciplinary action is taken because Lau:
 - (a) falsely represented in the account opening documents of six clients that he had provided the risk disclosure statements to them; and
 - (b) effected trades in his mother's and his wife's internet trading accounts (**Relevant Accounts**) by using their usernames and passwords without the knowledge of his then employer, Mason Securities Limited¹ (**MSL**).

Summary of facts and breaches

False representation in relation to the provision of risk disclosure statements to clients

3. Six clients opened accounts with MSL using a non-face-to-face approach between December 2014 and January 2015 (**Six Clients**). Lau signed on the risk disclosure statements on the account opening forms of the Six Clients, declaring that:

"I have provided the Risk Disclosure Statements to the Client in a language of his/their choice (English or Chinese) and have invited him/them to read the Risk Disclosure Statements carefully, ask questions and take independent advice if he/they wish(es)." (**Declaration**).
4. Lau asserted that the Six Clients may have received the risk disclosure statements via one of the following channels:
 - (a) by way of online access on MSL's website;
 - (b) collecting a copy from MSL's Customer Services; or
 - (c) receiving a copy from MSL.
5. None of the methods in paragraph 4 above involved Lau's provision of the risk disclosure statements to the Six Clients, nor would he be able to invite them to read the statements carefully, ask questions and take independent advice if they wish, particularly when Lau admitted that he signed the Declaration without meeting or contacting the Six Clients.

¹ MSL was known as GuocoCapital Limited until 25 February 2016.

6. Lau's signing of the Declaration gives a false appearance that he has provided the Six Clients with, and invited them to read, the risk disclosure statements when he has not done so.
7. Although the Six Clients signed a confirmation acknowledging that they have been provided with the risk disclosure statements, it is noted that MSL only issued letters to them, enclosing risk disclosure statements, two to three days after they signed such confirmation and Lau signed the Declaration.
8. The SFC accepted that Lau has recklessly, rather than intentionally, signed the Declaration on the account opening forms of the Six Clients. This is because paragraph 6.1 of the Code of Conduct² provides that licensed persons should provide, among others, a copy of the risk disclosure to clients and draw their attention to the relevant risks. Where an account opening procedure other than a face-to-face approach is used, the covering correspondence should specifically direct the client's attention to the appropriate risk disclosure statements. As such, the SFC accepted that it would not have been unreasonable for Lau to contemplate that the risk disclosure statements would be provided to the Six Clients by MSL as their accounts were opened using a non-face-to-face approach.
9. Lau's conduct in recklessly signing the Declaration on the account opening forms of the Six Clients is contrary to General Principle 2 of the Code of Conduct, which provides that a licensed person should act with due skill, care and diligence, in the best interest of clients and the integrity of market.

Effecting trades in the Relevant Accounts by using his mother's and his wife's usernames and passwords without MSL's knowledge

10. Lau claimed that he could not remember if his mother and his wife signed authorization letters for him to operate their accounts as they were opened in around 2006 or 2007.
11. Lau said he was duly authorized by his mother and his wife to process their trading instructions via the Relevant Accounts, and asserted that he was acting in their best interest by using their usernames and passwords to conduct internet trading without maintaining records of their instructions as less commission would be incurred. Lau's use of his mother's and his wife's passwords to access the Relevant Accounts gave a false appearance that they placed the order instructions by themselves.
12. Lau ceased to be employed by MSL in February 2017 when he was found to have used the usernames and passwords of the Relevant Accounts to trade securities in their accounts.
13. As a representative of MSL, Lau should have known that MSL has to be satisfied on reasonable grounds about the identity of the person ultimately responsible for originating the instruction for a transaction³. Lau's handling of his mother's and his wife's orders through the Relevant Accounts had rendered the person responsible for originating the order instruction to be unknown and

² Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.

³ Paragraph 5.4 of the Code of Conduct.

deprived MSL of the opportunity to be reasonably certain that those orders actually came from his mother and his wife.

14. Lau's effecting of trades in the Relevant Accounts without MSL's knowledge constitutes a further breach of General Principle 2 of the Code of Conduct.

Conclusion

12. Having considered all the circumstances, the SFC is of the view that Lau is guilty of misconduct, and his fitness and properness to carry on regulated activities have been called into question.
13. In reaching the decision to take the disciplinary action set out in paragraph 1 above, the SFC has taken into account all relevant circumstances, including:
 - (a) Lau's false representation that he has provided risk disclosure statements to the six clients was reckless;
 - (b) Lau's otherwise clean disciplinary record; and
 - (c) a strong message has to be sent to the market to deter similar misconduct.