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7 June 2002

SFC Issues Restriction Notice on Lawsons Securities Company

The Securities and Futures Commission (SFC) has issued a restriction notice on Lawsons Securities Company to preserve the assets of the company and its clients, and to protect the interests of these clients and the investing public.

Restriction notice

The restriction notice is issued today pursuant to sections 39 and 40 of the SFC Ordinance to prohibit Mr Law Siu Kong Christopher, trading as Lawsons Securities Company, from carrying on the business of dealing in securities and disposing of or dealing with any assets held by him and Lawsons in Hong Kong or elsewhere, whether as principal or agent, without the SFC's prior written consent.

Protection of clients' assets

The SFC found in an inspection of Lawsons that there were deficiencies in its internal control and settlement procedures. The SFC instructed Lawsons to appoint an independent accountancy firm in May 2002 to conduct a circularisation of client account balances and a review on internal control.

The independent accountant reported on 30 May 2002 a significant discrepancy between Lawsons' stock records and the records of the Central Clearing and Settlement System.

The SFC immediately interviewed Mr Law, who voluntarily suspended trading operations on 31 May 2002. Mr Law was also required to provide the SFC with a written undertaking not to resume trading or dispose of client and company assets without SFC's prior approval.

After detection of the discrepancy of stock balance, the SFC has been in close dialogue with Mr Law. Mr Law is the sole proprietor of Lawsons and is personally liable for all the debts of Lawsons. The SFC requested Mr Law to make good the shortfall in clients' securities. In the morning of 7 June 2002, Mr Law confirmed to the SFC that he could not provide the necessary funding.

The SFC therefore considers that it is desirable in the interest of the investing public to issue a restriction notice.

The SFC will continue to look into the case to determine what further regulatory actions may be necessary. The SFC understands that the Commercial Crime Bureau of the Police is also investigating the matter.

Compensation claims

For enquiries about investor compensation, investors may call Hong Kong Exchanges and Clearing Limited (HKEx) hotlines at 2840 3455 or 2840 3457. Application forms for investor compensation may be obtained at the Reception of HKEx at its Exchange Square office.

Investors who wish to report any misconduct or make any complaints may call SFC's hotline at 2840 9333. So far, the SFC has received 119 enquiries and 10 complaints.

General advice to investors

The SFC will continue its vigilance programme to detect incidences of suspected fraud. Where necessary, the SFC will circularise clients' account balances to ensure the completeness and accuracy of clients' assets records.

Investors are strongly advised to consider using HKEx's Stock Segregated Account with Statement Service (SSA) or opening an Investor Account. SSA provides investors with statements issued directly by HKEx whenever there is a stock movement in the account. An Investor Account is a personal depository account for shares and offers investors legal and direct control over their shares.

For their own protection, investors are also reminded that if their brokers fail to return securities or cash upon request, they should immediately contact the SFC at 2840 9333.

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