

## SFC Revokes the Licence of Tam Siu Ki Simon for Rat Trading and Other Trading Malpractices

30 Oct 2003

The SFC has revoked the licence of Mr Tam Siu Ki Simon for rat trading (Note 1) and other misconduct under the Securities and Futures Ordinance. At the time of the misconduct, Tam was a dealer's representative accredited to Prudence Securities Company Limited.

The revocation stemmed from an inquiry in which the SFC found that during the period from April to September 2001, Tam:

- conducted manual cross trades between his wife's account maintained at Prudence and other Prudence clients' accounts to benefit his wife by denying those clients best execution;
- conducted manual cross trades in his wife's account which he knew would result in no change in the beneficial ownership of the shares and were designed to delay the settlement process;
- took orders from third parties who had not been authorised by the clients in writing to operate their accounts;
- failed to guard against short selling by ascertaining that when clients placed sell orders, they had sufficient shares to settle their sales;
- failed to properly supervise the dealing activities of account executives under his direct supervision (Note 2)
- condoned unregistered dealing activities (Note 3);
- failed to maintain proper audit trails; and
- failed to co-operate fully and frankly with the SFC's investigation with the aim of frustrating the investigation.

Tam's use of manual cross trades and his other conduct involved serious conflicts of interests, and put the settlement process of Prudence and the integrity of the market in jeopardy. The SFC concludes that Tam has been guilty of misconduct and his fitness and properness has been called into question. The SFC decides to revoke his licence.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "Tam seriously breached the fundamental duty of a licensee to act honestly, fairly and in the best interests of his clients and the integrity of the market. He abused the trust placed in him by clients and his conduct warrants a revocation."

Ends

Notes :

1. "Rat trading" refers to trading malpractices whereby a licensed person takes advantage of a client's dealing instructions to place similar orders ahead of the client's orders for himself and his nominees (the rat orders). The rat orders disadvantage the client's orders in terms of time priority and consequently execution price.

2. Tam failed to properly supervise Chan Sum Kiu, a former dealer's representative at Prudence during the opening of an account with a client. The SFC subsequently disciplined Chan Sum Kiu for failing to take sufficient and reasonable steps to verify the identity of the client and to inquire into the client's financial background, investment experience and strategy when he opened the account. Please see another [SFC press release](#) issued today (30 October 2003) for full details. Tam also failed to supervise another former dealer's representative at Prudence, who placed orders from third parties for four accounts maintained with Prudence without written authorization. This representative has since left Prudence and ceased to be licensed by the SFC.

3. This case has been concluded with no prosecution.