

Enforcement Actions

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15 November 2004

SFC Reprimands GC Capital (Asia) Limited for Failure to Recognise and Discharge its Duties to Identify Suspicious Transactions and to Know its Clients

The SFC has reprimanded GC Capital under the Securities and Futures Ordinance.

The public reprimand is made according to a settlement agreement. Parties to the agreement include the SFC, GC Capital and its responsible officer, Mr Lau Wang Yip, Derrick (Note 1).

The reprimand stems from SFC's investigation into irregularities in the listing of the shares of Codebank Limited on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited in December 2001. GC Capital was one of the underwriters to the Codebank listing.

The SFC investigation revealed that an oral agreement had been made which was subsequently confirmed in writing by GC Capital, Codebank and the Lead Manager to vary the payment arrangement specified under the underwriting agreement. Instead of paying the subscription proceeds to GC Capital, the placees procured by GC Capital were instructed to pay Codebank directly.

The SFC found that, by changing the payment arrangement, GC Capital was not able to discharge its duty to identify potentially suspicious transactions under paragraph 4.4 of the Money Laundering Guidance Notes Issued By The SFC. GC Capital also failed to recognise that it had a duty to know its clients and permitted a placee who earned about \$5,000 a month to subscribe for \$10 million worth of Codebank shares.

Lau was GC Capital's dealing director at the relevant time. Lau entered into the settlement agreement with the SFC with no admission of liability. Lau has agreed to refrain from carrying out any regulated functions and acting as a responsible officer for a period of one month, effective from 15 November 2004 to 14 December 2004 (both dates inclusive).

Ends

Notes:

1. GC Capital is a licensed corporation in Type 1 (dealing in securities) and Type 6 (advising in corporate finance) regulated activities.

Lau is a licensed representative in Type 1 and Type 6 regulated activities accredited to GC Capital. Lau is also the responsible officer of GC Capital.

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