

# SFC Reprimands Lippo Securities Limited and Suspends Han Sze Chao Richard, Chan Ka Lok Cuthbert and Yeung Angie

3 Oct 2005

The SFC has reprimanded Lippo Securities Limited and suspended Mr Han Sze Chao Richard, Mr Chan Ka Lok Cuthbert and Ms Yeung Angie for 18 months, 10 weeks and five weeks respectively following a settlement of its disciplinary actions (Notes 1, 2, 3 and 4). Han is suspended from 3 October 2005 to 2 April 2007. Chan is suspended from 7 November 2005 to 15 January 2006. Yeung is suspended from 3 October 2005 to 6 November 2005.

## *Han Sze Chao Richard*

Han, a licensed representative and former responsible officer of Lippo Securities, accepts a suspension of 18 months for market manipulation.

The suspension follows an investigation by the SFC into the unusual price movement of the shares of Fortuna International Holdings Limited from 2 January 2002 to 10 May 2002.

The SFC found that, during the period, Han had placed buy orders for Fortuna shares via the account of Super Glory International Ltd maintained at Lippo Securities on 54 out of a total of 86 trading days. On 47 out of the 54 days, the last order placed by Super Glory fell within the last minute of trading and resulted in Super Glory's buy orders setting the closing price for Fortuna shares on 46 of these days. On 40 out of these days, single board lot orders were placed at existing ask prices shortly before market close. Super Glory's pattern of trading had the effect of pegging and/or stabilizing the market price of Fortuna's shares during the period. Han was the sole director and ultimate beneficiary of Super Glory and the only person authorised to place orders on its behalf. Han knew that his trading activities had the potential to distort the market price of the shares and were prejudicial to the integrity of the market (Note 5).

The SFC concludes that Han has been guilty of misconduct and his fitness and properness has been called into question.

## *Lippo Securities Limited*

Lippo Securities accepts a public reprimand for failing to detect abusive trading activities.

The SFC found that Lippo Securities did not have sufficient measures in place to identify abusive trading activities by staff members using their staff accounts. Whilst Lippo Securities monitored staff accounts to make sure that its staff did not trade excessively in those accounts to the extent that such trading would affect their work or seriously affect their financial position, it did not check for abusive trades in those accounts. Consequently, Lippo Securities failed to detect that Han had engaged in improper trades to peg and/or stabilize the price of Fortuna shares just before market close. As a result, Lippo Securities breached the Code of Conduct with regard to the monitoring of staff accounts.

## *Chan Ka Lok Cuthbert and Yeung Angie*

Chan and Yeung, both licensed representatives of Lippo Securities, accept a suspension of their licences for 10 weeks and five weeks respectively for facilitating Han's abusive trading activities. Both Chan and Yeung executed Han's questionable orders but neither reported them to Lippo Securities' compliance department.

In deciding on the level of penalty, the SFC has considered all circumstances of the case, including:

- Han's guilty plea to the charged offence;
- their co-operation in the SFC's investigation and agreement to settle the disciplinary proceedings against them; and
- Lippo Securities took remedial action to prevent similar trading malpractices from re-occurring and strengthened its internal monitoring system of staff accounts.

The SFC considers that it is in the public interest and in the interests of investors to settle its disciplinary actions against Han, Lippo Securities, Chan, and Yeung.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "Market manipulation is a serious offence which jeopardises the integrity of the market. A licensee should remember it has a fundamental duty to act in the best interests of both its clients and the integrity of the market. Any breach of this duty warrants a lengthy period of suspension."

Ends

Notes to Editor:

1. Lippo Securities is a corporation licensed under the Securities and Futures Ordinance to carry on business in Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities.
2. Han is a representative licensed under the Securities and Futures Ordinance to carry on Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities and accredited to Lippo Securities and Lippo Futures Limited.
3. Chan is a representative licensed under the Securities and Futures Ordinance to carry on Type 1 (dealing in securities) regulated activity and accredited to Lippo Securities.
4. Yeung is a representative licensed under the Securities and Futures Ordinance to carry on Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities and accredited to Lippo Securities and Lippo Futures Limited.
5. Han was convicted of intentionally creating a false market in the shares of Fortuna International Holdings Limited. Please see SFC press release dated 28 July 2004.

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