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SFC issues Restriction Notice to a broker to stop a client from withdrawing shares and transferring money connected with suspected insider dealing

3 Jun 2016

The Securities and Futures Commission (SFC) has issued a Restriction Notice to Kingsway Financial Services Group Limited (KFS) prohibiting it from processing cash and shares held in a client account that holds proceeds of suspected insider dealing (Notes 1 & 2).

KFS is not subject to the SFC's investigation into suspected insider dealing and the Restriction Notice does not affect KFS's operations or its other clients. KFS has rendered full assistance to the SFC during the investigation.

The Restriction Notice prohibits KFS, without prior written consent from the SFC, from processing any instructions from the client (or anyone authorized to operate the account) with respect to the shares of a Hong Kong-listed company, including: (i) withdrawing the shares and/or transferring monies arising from the disposal of the shares; and/or (ii) disposing or dealing with the shares. KFS is also required to notify the SFC upon receipt of any of these instructions.

The SFC considers that the issue of the Restriction Notice, which prevents dissipation of proceeds of suspected insider dealing held in the account, is desirable in the interest of the investing public or in the public interest.

The SFC's investigation is continuing.

End

Notes:

1. The Restriction Notice is issued pursuant to sections 204 and 205 of the Securities and Futures Ordinance (SFO).
2. KFS is a corporation licensed under the SFO to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

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G.N. 3104

NOTICE UNDER SECTIONS 204 AND 205 OF THE
SECURITIES AND FUTURES ORDINANCE
(Chapter 571) ('The Ordinance')

It appears to the Securities and Futures Commission ('the Commission') that the Commission should exercise the powers conferred by sections 204 and 205 of the Ordinance.

THE COMMISSION HEREBY GIVES NOTICE THAT:—

Except with the prior written consent of the Commission, such consent to be granted by any two Executive Directors of the Commission:—

1. Pursuant to sections 204(1)(a) and 205(1) of the Ordinance, Kingsway Financial Services Group Limited ("the Specified Corporation") is, in respect of a specified client account:—
 - (a) prohibited from:—
 - (i) entering into transactions concerning the shares of a Company listed in Hong Kong ('the Listed Securities'), including
 - processing any withdrawals of the Listed Securities; and/or
 - any transfers of monies arising from the disposal of the Listed Securities;
 - (ii) disposing of or dealing with the Listed Securities on the instructions of the client or by any person acting on his/her behalf; and
 - (b) required to notify the Commission immediately upon receipt of any instruction concerning the Listed Securities from the client, or by any person on behalf of the client, regarding:—
 - (i) any requests to withdraw the Listed Securities and/or transfer monies arising from the disposal of the Listed Securities; and/or
 - (ii) any requests to dispose of or deal with the Listed Securities.
2. Pursuant to the provisions of section 217 of the Ordinance, an application may be made to the Securities and Futures Appeals Tribunal for a review of the decision to impose the prohibition and/or requirement imposed by this Notice. Such application must be made within twenty-one days after the day on which this Notice is served on the Specified Corporation. Further, pursuant to section 208 of the Ordinance, the Specified Corporation may apply to the Commission for the prohibition and/or requirement imposed by this Notice to be withdrawn, substituted or varied.

This Notice takes effect at the time of service upon the Specified Corporation.

Dated this 24th day of May 2016

For and on behalf of
Securities and Futures Commission
Ashley ALDER *Chief Executive Officer*