

Enforcement Actions

Action Against Seven Dealer's Representatives of Sun Hung Kai Investment Services Limited

The Securities and Futures Commission ("SFC") and The Stock Exchange of Hong Kong Limited ("Exchange") jointly announce today that they have taken action against seven dealer's representatives of Sun Hung Kai Investment Services Limited ("SHKIS") for having made unjustified reallocations of client orders. The dealer's representatives are: Mr Chan Keung Shing, Mr Dai Man Hong, Ms Ho Chung Kam, Winnie, Ms Ko Ma Lee, Ms Lee Suk Wah, Inessa, Mr Ng Luen Kwai and Mr Wong Pui Woon.

The action is the result of an inquiry under section 56 of the Securities Ordinance following a routine inspection of SHKIS conducted in May 1997. During the inspection, three accounts were suspected to have been operated in a manner which might be prejudicial to the interests of the investing public. On discovery of these suspicions, SHKIS immediately appointed a firm of independent auditors to perform a thorough audit of their books and systems.

The audit revealed that during the period March to April 1997, the seven dealer's representatives concerned had reallocated trades originally executed for clients to accounts of persons related to them, resulting in the original client orders either being left unfilled or filled at a less favourable price. As a result of the findings, SHKIS immediately suspended the dealer's representatives from duties and reported the findings and the fact of suspension to the SFC.

The SFC and the Disciplinary Committee of the Exchange ("Disciplinary Committee") are of the view that the preferential reallocation of executed orders to other accounts is not an acceptable practice and, in the absence of satisfactory justification or explanation, is contrary to the "best interests of clients" principle in the Code of Conduct and constitutes misconduct under section 56 of the Securities Ordinance. The SFC has decided to publicly reprimand the above seven dealer's representatives. The Disciplinary Committee also has decided to publicly censure these seven dealer's representatives and fine each of them HK\$10,000.

In determining the action against the dealer's representatives, the SFC and the Disciplinary Committee took into account the following:-

- (i) only a few instances of such unjustified reallocations were found and the actual amounts involved were small. There was also no evidence to suggest that the dealer's representatives' actions were systematic; and
- (ii) the dealer's representatives concerned had been suspended from duties by SHKIS for periods ranging from one to five months.

The SFC has also issued a letter warning SHKIS in respect of the matter to ensure that such incidents will not recur in the future. In deciding on this course of action, the SFC accepted representations from SHKIS that the current management only assumed control of the business in July 1997 after the events had occurred; that it had cooperated fully with and actively assisted in the SFC's inquiries once it was informed of the matter; that it had promptly appointed independent auditors to perform a comprehensive compliance review of its internal control systems and procedures and had taken immediate steps to enhance its compliance capabilities and systems.

The senior management of SHKIS has also apologised formally to the SFC and the Exchange for the lapse in internal controls which occurred during a limited period when they were moving offices. Furthermore, SHKIS has undertaken to re-engage the independent auditors to conduct a follow-up compliance review of its enhanced operating and compliance systems in June 1998 which will be reported to and monitored by the SFC.

A copy of the Notice of Public Censure published by the Exchange is enclosed for your reference.

For further information, please contact Mr Bill Weeks or Mr Chan Chi-keung of the SFC at 2840-9287 or Mr Henry Law of the Exchange at 2840-3862.

NOTICE OF PUBLIC CENSURE

The Stock Exchange of Hong Kong Limited (the "Exchange") announces that on 23 February 1998, the Disciplinary Committee heard the cases of seven registered persons of the Exchange, Mr Chan Keung Shing, Mr Dai Man Hong, Ms Ho Chung Kam, Winnie, Ms Ko Ma Lee, Ms Lee Suk Wah, Inessa, Mr Ng Luen Kwai and Mr Wong Pui Woon, and all of them were Sales Representatives of Sun Hung Kai Investment Services Limited ("SHKIS"). The Disciplinary Committee found a charge against each of them for breach of the Rules of the Exchange proved.

The substance of the charge proved against each of the above registered persons was that during the period March to April 1997, they had reallocated trades originally executed for clients to accounts of persons related to them, resulting in the original client orders either being left unfilled or filled at a less favourable price.

The Disciplinary Committee, having considered all the information before it including:-

(i) only a few instances of such unjustified reallocations were found and the actual amounts involved were small. There was also no evidence to suggest that the seven registered persons' actions were systematic;

(ii) the seven registered persons had been suspended from duties by SHKIS for periods ranging from one to five months;

(iii) the current management of SHKIS only assumed control of the business in July 1997 after the events had occurred, it had cooperated fully with and actively assisted in the Securities and Futures Commission's inquiries once it was informed of the matter, it had promptly appointed independent auditors to perform a comprehensive compliance review of its internal control systems and procedures and had taken immediate steps to enhance its compliance capabilities and systems; and

(iv) the senior management of SHKIS had apologised formally to the Exchange for the lapse in internal controls which occurred during a limited period when they were moving offices. Furthermore, SHKIS had undertaken to re-engage the independent auditors to conduct a follow-up compliance review of its enhanced operating and compliance systems in June 1998,

resolved that a penalty of public censure plus a fine of HK\$10,000 be imposed on each of the above registered persons. The penalty of public censure is hereby imposed on each of them.

For the avoidance of doubt, this notice does not constitute and should not be inferred as a censure against SHKIS.

For and on behalf of
The Stock Exchange of Hong Kong Limited
Fanny Chung
Secretary - Disciplinary Committee

Hong Kong, 6 March 1998

Page last updated: 7 November 2001

聯合新聞稿

證監會及聯交所對新鴻基投資服務有限公司
的 7 名交易商代表採取紀律行動

證券及期貨事務監察委員會（「證監會」）及香港聯合交易所有限公司（「聯交所」）今天聯合公布，已對 7 名新鴻基投資服務有限公司（「新鴻基」）的交易商代表，就他們不正當地調換客人的買賣盤採取紀律行動。該 7 名交易商代表為：陳強誠先生、戴文康先生、何松金女士、高瑪莉女士、李淑華女士、吳暖携先生及黃佩垣先生。

1997 年 5 月，證監會會對新鴻基進行例行審查，隨後根據《證券條例》第 56 條進行調查，最後證監會及聯交所採取上述紀律行動。證監會在進行審查工作期間，懷疑其中 3 個戶口的運作，使投資者的利益受損。這 3 個懷疑有問題的戶口被發現後，新鴻基立即委任一所獨立的核數師行，全面審核新鴻基的賬簿及系統。

該審核工作發現該 7 名交易商代表於 1997 年 3 月至 4 月期間，會將原來已替客戶執行的買賣盤轉往與該等交易商代表有關的戶口，以致原來的客盤未能成交或以較差的價格成交。新鴻基在知悉上述審核結果後，立即暫停該 7 名交易商代表的職務，並將審核結果及暫停有關交易商代表職務一事向證監會報告。

證監會及聯交所紀律委員會（「紀律委員會」）均認為將價格較佳的客盤轉往他人戶口的行為是不可以接受，並認為在缺乏滿意的理由或解釋的情況下，上述行為違反《操守準則》內「以客戶最大利益為依歸」的原則，並構成《證券條例》第 56 條所界定的不當行為。因此，證監會決定公開譴責上述 7 名交易商代表。紀律委員會亦決定公開譴責該 7 名交易商代表及對他們各罰款港幣 10,000 元。

證監會及紀律委員會在決定對該 7 名交易商代表作出上述行動時，曾考慮以下因素：-

- (i) 不正常調換買賣盤的事件只有數宗，而涉及的實際金額很少，而且並無證據顯示該 7 名交易商代表的不當行為是串連的；及
- (ii) 有關的交易商代表已被新鴻基暫停他們的職務，為期 1 至 5 個月不等。

.../2

- 2 -

證監會已向新鴻基發出信函，就有關事件警告新鴻基，以確保新鴻基將來不會發生同類事件。證監會在決定作出此行動時，已接納新鴻基的陳詞。該陳詞表示新鴻基現時的管理階層只是在 1997 年 7 月有關事件發生後才接管新鴻基的業務，當新鴻基獲悉有關事件後，與證監會充份合作，並主動協助證監會進行調查。此外，新鴻基即時委任獨立的核數師對其內部控制系統及程序作出全面的監察檢討，並立即採取措施以加強其監察功能及系統。

新鴻基的高層管理人員已就新鴻基於搬遷辦公室的有限時期內所發生的內部控制不足的問題，正式向證監會及聯交所道歉。此外，新鴻基已承諾會再次委任獨立的核數師，於 1998 年 6 月就其已加強的運作及監察系統作出跟進的監察檢討工作，該項檢討工作的進度會向證監會報告，並由其監督。

本新聞稿隨附由聯交所發出的公開譴責聲明，以供參照。

如有進一步查詢，請致電證監會韋克志先生或陳志強先生（2840-9287）或聯交所羅文慧先生（2840-3862）。

* * *

1998 年 3 月 5 日