
Enforcement News

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11 July 2008

Securities and Futures Appeals Tribunal (SFAT) upholds the SFC's decision to reprimand and fine Radland International

The SFC has issued a reprimand to Radland International Limited (Radland) and fined it \$1,500,000 (Note 1).

The disciplinary action follows an SFC's investigation which found that two former licensed representatives of Radland had misappropriated client assets in excess of \$6 million since 1998 (Note 2). The SFC has found internal control weaknesses at Radland which facilitated the misappropriation as follows:

- failure adequately to safeguard client assets;
- inadequate supervision of staff; and
- failure adequately to segregate front and back office functions.

In deciding the penalty, the SFC has taken into account all the circumstances including:

- the internal control failures were serious and involved prolonged failures of primary controls;
- Radland has yet to compensate clients;
- Radland co-operated with the SFC investigation; and
- a firm of independent accountants was engaged to review Radland's internal controls.

Mr Mark Steward, the SFC's Executive Director of Enforcement, said: "This is one of the most serious cases of system and control failure contributing to client loss."

Radland lodged an application to the SFAT on 27 March 2008 to review the SFC's decision. Radland sought to review the SFC's decision on grounds relating to penalty only and there was no challenge as to liability. The SFAT rejected Radland's submissions on penalty and dismissed the application yesterday (Note 3).

End

Notes:

1. Radland is a licensed corporation under the Securities and Futures Ordinance authorised to carry on business in Type 1 (dealing in securities) regulated activity.
2. Please see SFC [press release](#) dated 13 November 2006 for details.
3. The determination will be available on the website of the SFAT at www.sfat.gov.hk.

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