

Duo guilty of fraud over trading of derivative warrants

26.04.10

Two persons, charged by the ICAC, were today (Monday) convicted at the District Court of their roles in fraudulent trading of derivative warrants.

Raymond Ng Chun-to, 42, operator of Hong Kong Investor Company Limited (HKICL), was found guilty of four counts of conspiracy to defraud, and one of doing an act tending and with intent to pervert the course of public justice, contrary to Common Law.

Co-defendant Polly Sun Chor-fun, 35, staff member of HKICL, was convicted of one count of conspiracy to defraud.

Ng's associate Lam Leo Sze-hang, 30, who was also charged for his role in the case, had earlier pleaded guilty to three counts of conspiracy to defraud, while a similar charge against him was ordered to be left on court file.

Judge Douglas Yau Tak-hong will continue to deliver his verdict tomorrow. Ng, Sun and Lam were remanded in the custody of the Correctional Services Department.

The case arose from a corruption complaint in relation to the trading of derivative warrants. Subsequent ICAC enquiries revealed the above offences.

The court heard that at the time of the offences, Calyon Financial Products (Guernsey) Limited, Citigroup Global Markets Holdings Incorporation, Standard Bank PLC and Dresdner Bank AG were derivative warrant issuers.

Respectively, the four issuers appointed CLSA Limited, Citigroup Global Markets Asia Limited, Standard Securities Asia Limited and Taifook Securities Company Limited as their Liquidity Providers (LPs).

The LPs have a function of providing liquidity of derivative warrants in the market by continuously quoting to investors bid and ask prices to ensure that there is a source of derivative warrants for trading.

The court heard that between September 2005 and May 2008, Ng, Sun and Lam conspired with other persons to defraud the above LPs, and such companies, firms and persons as might be induced to trade in tens of derivative warrants issued by the four issuers concerned.

To materialise their scam, Ng set up various bases in Hong Kong and on the Mainland.

Ng, Sun and Lam conspired to create a false or misleading appearance of active trading in the afore-mentioned derivative warrants daily through a number of dummy accounts operated by people associated with Ng from those bases.

The trio dishonestly caused traders based in Hong Kong of Calyon S.A., Citigroup Global Markets Asia Limited, Standard Bank Asia Limited and Dresdner Kleinwort Securities (Asia) Limited to render favourable prices to be quoted to people connected with Ng for the said derivative warrants.

The court also heard that Ng had approached an immunised witness and asked him not to co-operate with the ICAC and to give false and misleading information.

The prosecution was today represented by prosecuting counsel Joseph Tse, SC, assisted by ICAC officers Kevin Cho and Ada Lau.