

Man jailed for \$150m fraud over trading of warrants after re-trial

30 January 2015

A former trader of a derivative warrants liquidity provider (LP), charged by the ICAC, was today (Friday) sentenced to four and a half years' imprisonment at the District Court for operating a scheme to fraudulently trade derivative warrants, which generated illegal profits of about \$150 million, after a re-trial.

Raymond Ng Chun-to, 47, was earlier found guilty of four counts of conspiracy to defraud, contrary to Common Law.

In passing the sentence, Judge Frankie Yiu Fun-che said the scam orchestrated by Ng was sophisticated and of a large scale as it involved a large number of securities firms and dummy accounts.

The prosecution applied to the court for an order to confiscate the restrained assets of Ng. The judge will deal with the application on April 22 this year.

The case arose from a corruption complaint. Subsequent ICAC enquiries revealed the above offences.

The court heard that at the material time, Calyon Financial Products (Guernsey) Limited, Citigroup Global Markets Holdings Incorporation, Standard Bank PLC and Dresdner Bank AG were derivative warrants issuers in Hong Kong.

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

In late 2005, Ng recruited a number of persons to take part in a scheme to push derivative warrants issued by the four issuers at a base on the Mainland.

The court heard that between September 2005 and May 2008, Ng conspired with others to defraud those LPs as well as such companies, firms and persons as might be induced to trade in those derivative warrants.

Ng dishonestly caused employees based in Hong Kong of the four issuers to render favourable prices to be quoted to people connected with Ng for those derivative warrants, and created a false or misleading appearance of active trading.

They subsequently offered secret profits to those employees as rewards for taking part in the fraudulent trading of those derivative warrants. The illegal profits generated from the scam amounted to about \$150 million, the court was told.

In April 2010, Ng was found guilty at the District Court of four counts of conspiracy to defraud in the fraudulent trading of derivative warrants.

Ng subsequently lodged an appeal with the Court of Appeal (CA). In November 2013, the CA quashed his convictions and ordered a re-trial against Ng in respect of his four counts of conspiracy to defraud.

The prosecution was today represented by Senior Public Prosecutor Peggy Lo, assisted by ICAC officer Blanche Yiu.

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