

STATEMENT OF DISCIPLINARY ACTION

The Disciplinary Action

1. The Securities and Futures Commission (**SFC**) has prohibited Mr Law Man Wai (**Law**)¹, a former licensed representative of Cinda International Securities Limited (**CISL**), from re-entering the industry for 3 years from 19 June 2025 to 18 June 2028 pursuant to section 194 of the Securities and Futures Ordinance (**SFO**).
2. The SFC found that Law:
 - (a) conducted wash and / or matched trades in 9 stocks (**Stocks**) between March and September 2023 (**Relevant Period**) through securities trading accounts (collectively, **Accounts**) maintained by himself, his sister (**Ms Y**) and his friend (**Mr X**) at CISL and another brokerage (**Brokerage A**), without regard for the potential impact of these trades on the trading price and volume of the relevant stocks;
 - (b) concealed his beneficial interests and personal trades in the accounts of Mr X and Ms Y from CISL, and
 - (c) placed orders for Mr X's account at Brokerage A by impersonating Mr X.

Summary of Facts

A. Improper trading practice

3. During the Relevant Period, Mr X and Ms Y each maintained a securities trading account with CISL. Law was the account executive responsible for handling their accounts at CISL during that time.
4. In addition to his account at CISL, Mr X also maintained a securities trading account with Brokerage A.
5. The SFC's investigation revealed that a total of 109 pairs of wash or matched trades² in the Stocks (**Relevant Trades**) were conducted among the Accounts during the Relevant Period. For one of the Stocks, wash or matched trades were conducted among the Accounts on 14 trading days, and such trades accounted for between 48% and 97% of the market volume of that stock on 12 out of 14 trading days.
6. During the SFC's investigation, Law admitted to borrowing Mr X's and Ms Y's accounts for his personal trading since around 2022. Law also confirmed that 6 of the Stocks in Mr X's accounts were owned by him, while 1 of the Stocks was partially owned by him.

¹ Law was a licensed representative accredited to CISL to carry on Type 1 (dealing in securities) regulated activity under the SFO from 26 March 2020 to 8 June 2024. He is currently not licensed by the SFC.

² A wash trade is a transaction that does not involve any change in beneficial ownership of the shares, i.e. a person buys from himself. Matched trades refer to transactions where a person offers to sell securities at a price that is substantially the same as the price at which he has made or proposes to make (or he knows an associate of his has made or proposes to make) an offer to buy substantially the same number of securities, and vice versa. Wash and matched trades can create a false or misleading appearance of trading activity, distorting the actual supply and demand of the shares in question.

7. According to Law:
- (a) To address potential margin calls, he suggested to Mr X that shares be transferred between the Accounts through matched trades to avoid forced liquidation. Mr X agreed to this suggestion.
 - (b) To prevent his or Mr X's shares from being purchased by others, he placed sell orders at a price one spread higher than the market price and simultaneously placed buy orders at the same price to repurchase the shares through another account.
 - (c) He did not consider the potential impact of these activities on the trading price or volume of the Stocks at the time.
8. While Law may not have intended to manipulate the market through the Relevant Trades, he acted recklessly by failing to consider the potential impact of these trades, which could create a false appearance of active turnover in the relevant stocks.
9. Law's conduct fell short of the standard set out in General Principle 2 (Diligence) of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (**Code of Conduct**), which requires licensed persons to act with due skill, care and diligence, in the best interests of their clients and the integrity of the market. His conduct has also called into question his fitness and properness as a licensed person.

B. Concealment of personal trades

10. During Law's employment with CISL, CISL's policies required its staff to, among other things:
- (a) conduct their personal trading activities through accounts in their own name;
 - (b) obtain CISL's approval before opening an account with an external broker and submit monthly account statements from the external broker to CISL for review; and
 - (c) make an initial declaration of their own and associates'³ trading accounts maintained with CISL and external brokers upon joining CISL and submit subsequent declarations annually thereafter (**Annual Declaration**).
11. Contrary to these policies, Law conducted personal trades through the accounts of Mr X and Ms Y, rather than through an account in his own name. Law failed to disclose his beneficial interests and personal trades in these accounts (either through the Annual Declarations or by any other methods) to CISL.
12. The evidence revealed that Law intentionally concealed his personal trading activities from CISL through the following actions:
- (a) falsely declaring in the Annual Declaration submitted to CISL on 12 June 2023 that, apart from the accounts maintained by himself, his wife and Ms

³ "Associates" under CISL's policies mean any person whom a staff is able to influence as regards to dealing and would normally include (a) a staff's spouse or children or a member of his immediate household; and (b) an immediate member of the staff's family or family of the staff's spouse.

Y with CISL, he did not maintain any other personal accounts or accounts of associated persons with brokers, either within or outside CISL, when in fact he had been using Mr X's Accounts for his personal trading since around 2022;

- (b) confirming executed trades with Mr X and Ms Y using CISL's recorded telephone line, and submitting order records to CISL signed by them, thereby creating a false impression that the orders originated from them when this was not the case; and
 - (c) concealing from CISL that some of the orders in Mr X's and Ms Y's accounts at CISL were placed and owned by him, when CISL enquired about the absence of order placement recordings for those accounts.
13. By using Mr X's and Ms Y's accounts for his personal trading and concealing his beneficial interests and activities in those accounts from CISL, Law breached CISL's internal policy and prevented it from monitoring his personal trading activities. His conduct was dishonest and constituted a breach of General Principle 1 (Honesty and fairness) of the Code of Conduct, which provides that licensed persons should act honestly, fairly, and in the best interests of their clients and the integrity of the market.

C. Impersonation of Mr X

14. According to Law, Mr X provided him with his mobile phone, allowing Law to place orders directly with Brokerage A. Law impersonated Mr X when calling Brokerage A to place orders for Mr X's account. Law did not inform Brokerage A that he was acting on behalf of Mr X. As a result, Brokerage A was unaware that Law operated Mr X's account for both his personal trades and trades conducted on Mr X's behalf.
15. Law's conduct raises significant concerns about his fitness and properness as a licensed person, particularly with respect to his ability to carry on regulated activities honestly and fairly, as well as his character and reliability.

Conclusion

16. Having considered all the circumstances, the SFC is of the view that Law is guilty of misconduct and his fitness and properness to carry on regulated activities have been called into question.
17. In deciding the disciplinary sanction set out in paragraph 1 above, the SFC has taken into account all relevant circumstances, including:
- (a) there is insufficient evidence that Law executed the wash and matched trades with manipulative intent; and
 - (b) Law has an otherwise clean disciplinary record.