

SFC Publicly Reprimanded Audrey Chow Securities Limited

28 Dec 2000

The Securities and Futures Commission (SFC) announced today that it had publicly reprimanded Audrey Chow Securities Limited (ACSL), a registered securities dealer under the Securities Ordinance.

This action stemmed from an investigation in which it was found that:

- between August and November 1997 accounts had been opened with ACSL through a registered representative of another broker and ACSL had not taken all reasonable steps to establish the true and full identity of these clients, their financial situation, investment experience and investment objectives prior to the establishment of the accounts. These clients subsequently failed to meet their settlement obligations and as a result ACSL incurred substantial losses;
- for a period of approximately 2? years ending in May 2000, a staff member of ACSL operated a nominee account at ACSL without the knowledge of ACSL and, without authority, used assets of clients of ACSL to cover trading losses incurred as a result of her trading through this account.

The inquiry found that ACSL had inadequate internal controls and management supervision to:

- ensure account opening procedures were adequate and followed by staff; and
- detect and deter trading malpractices by employees.

In deciding upon this course of action the SFC took into account that:

- ACSL has completed compensating clients affected by the actions of its then employee;
- ACSL has implemented a comprehensive review by an independent accountancy firm of its internal control systems; and
- ACSL has undertaken that each recommendation of this review will be fully implemented by it.

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