

Enforcement Actions

21 February 2002

SFC Reprimands Mr Lee Yu Leung (Mr Lee)

The Securities and Futures Commission (SFC) announced today that it had publicly reprimanded Mr Lee, a dealer and investment adviser under the Securities Ordinance, and a commodity dealer under the Commodities Trading Ordinance. Mr Lee was previously a dealing director of Asia Financial (Securities) Limited (AFS).

The reprimand follows an investigation by the SFC into suspected unauthorized and improper trading activities in a number of derivative warrants traded on the Stock Exchange of Hong Kong Limited during January and February 1999. The investigation revealed that two former employees of a brokerage had sold and repurchased derivative warrants between accounts they operated and controlled at a number of brokerages including AFS whilst Mr Lee was a dealing director of AFS. A former dealer's representative at AFS under Mr Lee's direct supervision had facilitated the two former employees in their activities.

The SFC found that Mr Lee was aware that:

- there was no written agreement between AFS and the other brokerage; and
- there were trading arrangements made between his former dealer's representative and the two former employees.

The SFC also found that Mr Lee should have been aware that the two former employees of the brokerage were not authorized to operate their employer's account.

The SFC further found that these matters together with the pattern of trading being conducted through the accounts at AFS should have alerted Mr Lee to the possibility that the trading being conducted was improper. The SFC considered that the inquiries Mr Lee did make in respect of the trading were insufficient and inadequate in the circumstances.

As a result of the above matters, the SFC concluded that the fitness and properness of Mr Lee had been called into question. In view of the fact that Mr Lee has resigned from his positions at AFS with effect from 1 February 2002, the SFC has imposed the maximum sanction available to it, namely a public reprimand.

An SFC's spokesman said that registered persons should act honestly, fairly, and in the best interests of its clients and the integrity of the market. Mr Lee's conduct fell short of this requirement.

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