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## SFC Reprimands Chan Suk Chi and Lee Wai Chung

18 Feb 2003

The SFC has reprimanded Ms Chan Suk Chi and Ms Lee Wai Chung for regulatory breaches.

The SFC inquired into the conduct of Chan and Lee following an investigation of the trading activities in the account of a client of Chan. Lee was a floor trader and Chan was an account executive. The client was referred to Lee by a friend in around August 2000. Lee knew nothing about the client and she subsequently referred the client to Chan to open an account with Chung Nam Securities Limited. The client agreement was not signed before Chan, Lee or any staff of Chung Nam.

Although Chan and Lee had never met the client and knew nothing about her background, they still recommended the client to Chung Nam's management for approval of the account. Further, in the absence of a written authorization, Chan allowed Lee's friend (who had referred the client to Lee earlier) to operate the client's account. Lee, on several occasions, also accepted instructions from this friend for the client's account although she knew little about this person.

The inquiry revealed that both Chan and Lee had:

- failed to establish the true and full identity of a client;
- failed to obtain written authorization before allowing a third party to operate a client's account; and
- failed to comply with their employer's internal procedures on third party authority to operate a client's account.

The SFC concluded that Chan and Lee were guilty of misconduct and their fitness and properness had been called into question. The SFC therefore decided to publicly reprimand them.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "Registered persons are required to establish the full and true identity of each of their clients before opening an account for them. They should not rely on third parties such as friends to provide them with background information concerning the prospective clients. Brokers and their staff must know their clients so that they can minimize the risk of: people hiding illegal conduct behind nominees; unauthorized trading in client accounts; misselling products; and clients trading beyond their means. Registered persons must not accept instructions from any third party unless a written authorization from the accountholder is in place. We take any breaches of these requirements seriously."

Chan and Lee are registered securities dealer's representatives accredited to Chung Nam Securities Limited.

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Page last updated : 1 Aug 2012