

[Home](#) ▶ [News & announcements](#) ▶ [News](#) ▶ [Enforcement news](#)

SFC Reprimands ASG Brokerage Ltd for Poor Internal Controls

24 Feb 2003

The SFC has reprimanded ASG Brokerage Ltd, a registered dealer under the Securities Ordinance.

The SFC started an inquiry into ASG's conduct after receiving a complaint from one of its clients and after conducting a routine inspection of ASG's operations. The SFC found that ASG's internal controls had been inadequate for a long period of time. Some of its practices were not in compliance with the Securities Ordinance, the Code of Conduct and the Management, Supervision and Internal Controls Guidelines published by the SFC. In particular, at the relevant time, ASG:

- failed to maintain adequate internal controls to monitor third party deposits into client accounts;
- failed to maintain sufficient audit trails of its trading records and to implement appropriate and effective procedures in trade allocation;
- failed to closely monitor staff dealing;
- failed to maintain a prudent margin financing policy and to have appropriate and effective procedures in place to ensure proper management of cash clients' credit risk;
- failed to properly implement procedures on the amendment of clients' mailing addresses;
- failed to maintain appropriate and effective procedures on hold mail arrangements and the procedures for the control of clients' securities and handling of clients' funds.

The SFC concluded that ASG was guilty of misconduct and its fitness and properness had been called into question. The SFC therefore decided to publicly reprimand it.

The SFC notes that ASG has subsequently revised its internal controls to address these issues.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "Adequate internal controls are very important to the proper management of registered firms and the interests of their clients. Without them, firms face difficulties in identifying, monitoring and controlling risks in relation to their businesses and protecting their operations, their clients and other registered persons from financial loss arising from theft, fraud and other dishonest acts, professional misconduct or omissions. The SFC will punish any registered firms who failed to put in place adequate internal controls."

Ends

Page last updated : 1 Aug 2012