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## SFC Reprimands Kim Eng Securities (Hong Kong) Limited and its former Dealing Director Fok Kwong Hang Terry for Failings in Warrants Placements

25 Feb 2003

The SFC has reprimanded Kim Eng Securities (Hong Kong) Limited and Mr Fok Kwong Hang Terry, a former dealing director of Kim Eng, for failing to take reasonable steps to ensure that Kim Eng had an internal control system in place to ensure derivative warrants placements complied with the regulatory requirements.

From January 2001 to September 2001, Kim Eng had placed 19 different derivative warrants to its connected clients, including its holding company and staff members. However, it did not seek prior written consent of Hong Kong Exchanges and Clearing Limited to allocation to connected clients, as required under HKEx's Placing Guidelines for Derivative Warrants then in force.

The failing of Kim Eng and Fok, as the then responsible dealing director, has impugned their fitness and propriety. The SFC therefore decided to reprimand them.

Following the SFC's inquiry, Kim Eng has reviewed its internal control systems and operating procedures, and implemented measures to prevent breaches in the future. The SFC welcomes these enhancements.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "The requirement to place derivative warrants to a minimum number of independent clients was replaced in December 2001 with rules requiring post listing liquidity to be provided by market makers. Nevertheless, it was important for relevant parties to comply with the then relevant rules and regulations. No registered person will be spared simply because the relevant rules and regulations no longer exist, if their conduct was blameworthy at the relevant time. We continue to watch the listed warrants market even though the listing rules have changed."

Fok is now registered as an investment adviser of T & F Research Limited.

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