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SFC Reprimands Luk Wai Jong Anita, Mau Ying Yuen and CM-CCS Securities Limited for Improper Conduct Relating to Handling of Client Accounts

4 Jul 2003

The SFC has reprimanded Ms Luk Wai Jong Anita, Mr Mau Ying Yuen and CM-CCS Securities Limited under the Securities and Futures Ordinance.

The reprimands stem from an inquiry in which the SFC found that, between 2 and 13 February 2001, Luk handled the account opening and securities trading matters for clients of CM-CCS Securities before her transfer of accreditation to the firm had been approved by the SFC (Note 1). In addition, Luk allowed a third party to operate two client accounts without obtaining proper written authorisation from the account holders in breach of the SFC's Code of Conduct and CM-CCS Securities' company policy.

It was also found that CM-CCS Securities facilitated Luk's breaches by permitting Mau to signify that he had explained the account opening documents to the two clients of CM-CCS Securities when in fact he had not done so. Actually, it was Luk who explained the account opening documents to the two clients. Mau was the sole dealing director of CM-CCS Securities at the time and he bore the full responsibility for CM-CCS Securities' failure (Note 2).

As a result, the SFC concludes that the fitness and properness of Luk, Mau and CM-CCS Securities has been called into question and decides to reprimand them.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "By accepting a third party to operate her clients' accounts, Luk put herself and her employer at financial risk if the account holders had disputed the trades conducted by the third party. A licensee can only act for the company to which he/she is accredited. In the process of transferring his/her accreditation to another company, a licensee must not perform the relevant functions for a licensed corporation such as explaining account opening documents to clients, taking client orders and confirming trade executions. This is equivalent to unlicensed dealing, which is a criminal offence under the Securities and Futures Ordinance. Brokers are expected to put in place appropriate measures and controls to guard against this matter. The improper conduct of Luk, Mau and CM-CCS Securities are unacceptable. They all deserve their penalty."

Luk is a licensed representative of CM-CCS Securities Limited and CM-CCS Futures Limited.

Mau is the responsible officer of CM-CCS Securities Limited.

Ends

Notes:

1. Luk's employment with CM-CCS Securities commenced on 1 February 2001. Her application to transfer accreditation from her previous employer to CM-CCS was submitted on 12 February 2001. CM-CCS and Luk were informed of the Commission's approval on 15 February 2001.
2. The repealed Securities Ordinance allowed a broker to have only one dealing director to supervise and conduct its business. Since the sole dealing director acted as the directing mind of the broker, his/her conduct and knowledge were therefore imputed to the company. Under the Securities and Futures Ordinance, at least two responsible officers are required to oversee the operations of a licensed corporation.

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