

SFC Suspends Fong Dig Kwan Laurence for Five Months for Executing Possibly Illegal and Improper Trades

28 Jul 2003

The SFC has suspended the licence of Mr Fong Dig Kwan Laurence under the Securities and Futures Ordinance for five months.

The suspension follows an SFC investigation into the dealing in a stock on the Stock Exchange of Hong Kong between December 2000 and March 2001 (Note 1). The SFC investigation revealed that:

- in February and March 2001, Fong had allowed five clients' trading accounts to be operated by a third party when Fong did not know whether the five clients had consented to the arrangement;
- Fong knew or should have known that the trades concerned were possibly illegal or improper;
- Fong knew the third party placing the instructions was a licensee, but he failed to obtain the consent of the third party's employer before executing the trades; and
- Fong signed as a witness on the account opening forms of two of the clients, but he did not actually witness the signatures.

The third party placing the instructions was Fong's friend. He introduced the five clients to Fong. Fong helped all five clients open trading accounts at Hantec Securities Co Limited at around the same time in February 2001. Subsequently, all five accounts had traded only one stock. Fong admitted that the price movement and turnover of the stock were strange. Furthermore, a large majority of the trades in the five accounts were placed to Fong by the third party, instead of the clients.

The trading pattern caused Fong to suspect the stock's price was being manipulated. He in fact suspected that the five client accounts were nominee accounts used for manipulation. Notwithstanding such suspicions, Fong executed the orders without making proper enquiries.

Fong's conduct has called into question his fitness and properness as a licensed person. The SFC therefore decides to suspend his licence for five months.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "The integrity of Hong Kong's markets is bound to be compromised unless a licensed person makes the necessary enquiries with his client upon receipt of instructions to execute trades which he knows or suspects are possibly illegal or improper. Also, if a licensed person effects transactions placed by a third party for a client without effective written authorisation, his client's interests are inevitably prejudiced. Invariably, licensed persons who show a lack of regard to the interests of his clients and the integrity of the market will have to face severe sanctions."

Fong is a licensed representative accredited to Hantec Securities Co Limited. His licence with the SFC is suspended from 26 July 2003 to 25 December 2003.

Ends

Notes:

1. The SFC cannot disclose further information as investigations by the relevant authorities are continuing.