

Enforcement Actions

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18 August 2003

SFC Successfully Prosecutes Tiffit Securities (HK) Ltd and its Managing Director, Kwok Wood Yan for Providing Misleading Information to the SFC and Failing to Notify the SFC of its Liquid Capital Deficiencies, and its Dealing Director, Fong Shik Yee for Breaches Relating to the Keeping of Trust Accounts

The SFC has successfully prosecuted Tiffit Securities (HK) Ltd and its managing director, Mr Kwok Wood Yan for providing false and misleading information to the SFC, contrary to the Securities and Futures Commission Ordinance (SFCO), and failing to notify the SFC of Tiffit's liquid capital deficiencies, contrary to the Securities Ordinance (SO) (Note 1).

The SFC has also successfully prosecuted its dealing director, Ms Fong Shik Yee for breaches relating to the keeping of trust account, contrary to the SO.

In June 2002 while preparing for the first annual audit, the auditors of Tiffit discovered Tiffit had omitted the entry of a \$4 million bank overdraft in its accounts. Tiffit then notified the SFC of its deficiencies on 26 July 2002. After including the overdraft, Tiffit was found to have failed to comply with the minimum liquid capital requirement under the Financial Resources Rules since August 2001. By omitting the bank overdraft, Tiffit was also found to have provided the SFC with false and misleading information in its monthly financial returns, thereby causing the SFC to believe Tiffit was financially sound when it was not. The investigation also revealed that between January 2002 and July 2002, Tiffit had transferred money from clients' trust accounts without securing the necessary authorisations.

Tiffit and Kwok pleaded guilty to 22 summonses before Mr Thomas Tsang, a Magistrate at Western Magistracy for breaches of section 56A of the SFCO and section 65C of the SO and were fined a total of \$44,000. Fong pleaded guilty to seven summonses for her breaches of section 84 of the SO and was fined \$7,000. The three were also ordered to pay costs totalling \$36,857 to the Commission.

An SFC spokesman said that as Tiffit, Kwok and Fong are licensed persons and as such, the SFC will initiate disciplinary proceedings.

Ends

Note:

1. The SFCO and the SO were among 10 ordinances replaced by the Securities and Futures Ordinance, which became effective on 1 April, 2003.

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