

---

## Enforcement News

---

To save a copy for future reference, right click [here](#) and select "Save Target As..."

10 September 2003

### SFC Reprimands Yardley Securities Limited and Suspends Leung Tak Shing Raymond for Improperly Destroying Documents, Failing to Issue Statements of Account and Contract Notes, and Creating a Conflict of Interest

The SFC has severely reprimanded Yardley Securities Limited and has suspended Mr Leung Tak Shing Raymond's licence as a margin financier's representative of Yardley Finance Limited for 14 months and revoked his approval as a director of Yardley Finance.

The reprimand and the suspension stem from a market manipulation investigation into a number of derivative warrants placements in 2000 and 2001 (Note 1) in which Yardley Securities acted as a placing agent.

The SFC found that Yardley Securities had entered into written agreements with its clients that all their subscriptions for derivative warrants and grey market (Note 2) trading would not be shown in client statements or in bought/sold notes. Yardley Securities only verbally informed the clients of the profit and loss, and settled the subscription and grey market trades with them in cash. Leung, as a director of Yardley Securities, made the decision to destroy all of the firm's internal records concerning these trades. These actions deprived Yardley Securities' clients of one of their most basic rights, to have a record of their investments. They also hindered the SFC's investigation.

In addition, Yardley Securities and Leung knowingly allowed Yardley Asset Management Limited (which had the same ultimate beneficial owner as Yardley Securities) to buy derivative warrants from Yardley Securities' clients, without disclosing the fact that the buyer was connected, hence creating a conflict of interests.

The SFC's Code of Conduct in force at the time required Yardley Securities, in such circumstances, either not to deal in those transactions or to take all reasonable steps to ensure fair treatment of clients. Yardley Securities did the opposite, allowing Yardley Asset Management to deal in the transactions and destroying all relevant records.

Yardley Securities' actions made it impossible to reconstruct events in relation to clients' warrants subscription and grey market trades or to verify whether Yardley Securities had treated clients unfairly when Yardley Asset Management bought their warrants in the grey market. The situation exposed clients to tremendous risks. Moreover, the SFC has not been able to establish if Yardley Securities' clients have suffered any loss as a result.

The failings of Yardley Securities and Leung call into question their fitness and properness. The SFC decides to severely reprimand Yardley Securities. Although Leung was not licensed for dealing in or advising on securities, he could make management decisions in Yardley Securities as a director. The SFC decides to suspend Leung's licence for 14 months and to revoke his approval as a director of Yardley Finance. The suspension will start from 10 September 2003 till 9 November 2004.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "A broker should not, and legally cannot, have their clients agree to waive the clients' statutory rights to receive contract notes or statements of account. Destroying documents required to be kept by law or SFC regulations is very serious misconduct that we won't tolerate. Yardley Securities did both and so kept no audit trail of their grey market trading in warrants on behalf of clients. This put clients at risk, especially as Yardley Asset Management bought warrants from clients of Yardley Securities, a possible and suspicious conflict of interests that was never revealed to Yardley Securities' clients. Owing to the lack of an audit trail, we have been unable to establish whether Yardley Securities' clients have suffered any loss. Yardley Securities, with its failings, deserved to be reprimanded. Leung, as the director of Yardley Securities who allowed these to happen, deserves a lengthy suspension."

Ends

Notes :

1. The market manipulation investigation into various derivative warrants has been concluded with no prosecution.
2. "Grey market" trading means trading in the period of time between the date a warrant is launched and the date it is listed.

Page last updated: 20 June 2007