
Enforcement News

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

9 December 2003

SFC Reprimands Concord Capital Securities Limited for Internal Control Failures

The SFC has reprimanded Concord Capital Securities Limited (formerly known as Concord Capital Brokerage Limited), a licensed company.

The reprimand follows an SFC investigation into the market manipulation and illegal short selling of the shares of China Mobile (Hong Kong) Limited in May 2002 by Mr Chan Shing Chun, a licensed representative of Concord (Note 1). The SFC found a number of internal control weaknesses at Concord:

- failure to implement procedures to deter and prevent short selling;
- failure to put in place a written staff dealing policy and operations manual;
- failure to monitor properly trading in clients, staff and related accounts;
- inadequate supervision of staff's dealing activities and failure to ensure that staff identify and report related accounts to management;
- failure to maintain proper audit trails by putting in place a telephone recording system and ensuring dealing tickets are time stamped; and
- failure to comply with regulatory requirements.

In light of these findings, the SFC concludes that the fitness and properness of Concord has been called into question. The SFC therefore decides to reprimand Concord.

In reaching this decision, the SFC took into account:

- the recent disciplinary action against Concord for internal control failings at its Tsuen Wan branch (Note 2);
- the change in Concord's board of directors and management team;
- Concord's implementation of a number of remedial measures to strengthen its internal controls to ensure compliance with the relevant rules and regulations; and
- that Chan is no longer accredited to Concord.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "Weak internal controls in a brokerage put the broker's clients and the broker itself at risk. At worst, they allow brokerage employees to defraud clients. We will take appropriate action whenever we discover brokers with poor controls. However, we take remedial action by brokers into account in reaching our

disciplinary decision."

Ends

Notes :

1. Chan was convicted of illegal short selling and market manipulation. Please see [SFC's press release dated 25 March 2003](#) for details of the case.
2. Please see [SFC's press release dated 20 March 2003](#) for details of the case.

Page last updated: 20 June 2007