

SFC Reprimands Wong Ching Lau

13 Jan 2004

The SFC has reprimanded Mr Wong Ching Lau, a licensed representative under the Securities and Futures Ordinance.

The reprimand stems from an inquiry in which the SFC found that Wong had not monitored properly the allotment of scrip dividends to the clients of Uni-Crown Investment Limited. Wong's failure facilitated the misappropriation of shares by a settlement supervisor during the period from 18 September 2000 to 27 March 2002. Wong was, at the material time, the company secretary of Uni-Crown, who shared management and supervision responsibilities of Uni-Crown with the firm's dealing director who had since left the industry. [Note 1]

Further, the inquiry revealed that Uni-Crown did not have adequate internal controls. In particular, the following major internal control deficiencies were identified:

- lack of segregation of incompatible duties;
- failure to keep adequate records of clients' overseas securities transactions;
- failure to dispatch contract notes within two days of their issuance;
- failure to ensure a clear separation of client assets;
- failure to obtain written instructions from clients for hold mail services and review hold mail clients' uncollected account statements;
- failure to complete records of staff accounts and staff trades;
- failure to require prior approval for staff trades;
- failure to stipulate written anti-money laundering policies; and
- failure to put in place adequate risk management measures.

Wong was sufficiently involved in Uni-Crown's operations to bear partial responsibility for Uni-Crown's failures and breaches.

As a result, the SFC concludes that Wong's fitness and properness as a licensed person has been called into question and decides to reprimand him.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "The privilege of dealing with other people's money demands that licensees have adequate and comprehensive internal controls. With proper internal controls, fraud and misconduct such as misappropriation can be detected at an earlier stage or be prevented altogether. We treat seriously any failure to observe the required standards of internal controls. We will have no hesitation in taking disciplinary action against those involved in management and the firms themselves should they fail to play their part in ensuring their firms have adequate internal controls."

Ends

Notes to Editor:

1. As the dealing director and the settlement supervisor are no longer in the industry or licensed, we have no jurisdiction to discipline them.
2. Wong is currently a licensed representative of China Southern Securities (Hong Kong) Limited under the Securities and Futures Ordinance.
3. Uni-Crown closed its business on 29 November 2002.