

SFC Suspends Cheng She Ching for Improper Conduct Relating to Handling of Client AccountsA

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The SFC has suspended Ms Cheng She Ching, a licensed representative of Get Nice Investment Limited and Get Nice Futures Company Limited, for six weeks from 20 March 2004 to 30 April 2004.

The suspension stems from an SFC inquiry which found that, on 26 July 2002, Cheng knowingly had breached Get Nice's internal procedures by:

- failing to check a client's account to make sure that there were sufficient shares in hand for sale before she executed a sell order; and
- failing to report the resultant error trade to Get Nice so that it could be booked into Get Nice's house account.

By failing to make inquiries as to whether the client had sufficient shares to sell before executing the sell order, Cheng also breached the Code of Conduct.

Further, Cheng was found to have asked her clients to sign a written authorisation letter to her which gave her more power than they intended to give. The written authorisation letter was a pre-printed standard letter prepared by Get Nice. Cheng did not fully explain the terms of the authorisation letter to her clients and advise them to delete the inapplicable terms.

Lastly, Cheng was found to have meddled with Get Nice's settlement process. Cheng entered into an arrangement with her clients whereby her clients paid their settlement money to Cheng and Cheng in turn issued her personal cheques to settle their trades. However, Cheng was not authorised by Get Nice to receive clients' payments to Get Nice. Although the SFC did not find that Cheng was dishonest, her actions posed integrity risks to her clients, her employer and the market, of which she should have been aware.

The SFC concludes that Cheng has been guilty of misconduct and that her fitness and properness has been called into question.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "A broker in performing his/her functions should ensure that he/she complies with all his/her employer's internal procedures that are designed to protect the firm's dealing practice. Cheng's failings in handling the sell order showed that she had no regard to Get Nice's internal procedures. Further, by failing to explain to her clients the terms of the authorisation letter and advise her clients to delete those inapplicable terms, Cheng was not acting in the best interests of her clients."

"Last but not least, Cheng should not have meddled with Get Nice's settlement process. This practice was highly susceptible to fraud or misappropriation of clients' money on the part of Cheng and exposed her clients and Get Nice to financial risk in the event of any dispute as to whether the clients had settled their trades. It also disregarded important contractual terms between Get Nice and its clients. Cheng's conduct is unacceptable. The SFC will have no hesitation in taking strong disciplinary action against similar failings," Mr Linning added.

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