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SFC Suspends Chan Sin Yu, Millie for Acting as a Dealing Director in Name Only

3 Jun 2004

The SFC has suspended Ms Chan Sin Yu, Millie, a responsible officer of Selina & Co Limited (S&C), for 10 months until 3 April 2005 for acting as a dealing director for S&C in name only and for failing to fulfil her supervisory responsibilities.

In 2002, the SFC investigated a case of alleged misappropriation of S&C clients' assets and deception by a former settlement clerk of S&C. The SFC investigation found, among other things, that S&C had seriously inadequate internal controls and almost no supervision to safeguard its clients and its operation from theft, fraud, misconduct and other dishonest acts. (Note 1)

The SFC found that Chan was S&C's sole dealing director at the time who, under the law, was meant to take responsibility for supervising S&C. However, she was an appointee in name only. In fact, she mainly acted as a floor trader and spent almost all her time on the Stock Exchange trading floor. She carried out no supervisory functions. Even worse, she knew that the other S&C directors would not be actively involved in supervising S&C. And yet she felt that, as all the staff had been with S&C for a long time, they were all trustworthy and did not need supervision. However, almost all S&C staff at the time knew or should have known the settlement clerk was dealing while unlicensed. The SFC found that, it was the ability of the settlement clerk to both deal and settle trades, together with the lack of supervision, that allowed the settlement clerk to engage in her conduct.

The SFC also found that the reason for Chan's appointment as a dealing director was merely to satisfy the then licensing requirements which required each securities firm to have a dealing director to supervise the firm's business. Chan's acceptance of the role in name only means that she failed in her responsibility. The SFC decides to suspend her licence for 10 months, as her fitness and properness to be licensed has been called into question.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "This should serve as a reminder to all responsible officers in brokerage firms that they face severe action if they ignore or neglect their supervisory obligations. We will not tolerate this conduct, which harms the interest of the investing public and market integrity. In future we will impose heavier penalties. Under the SFO, the SFC may fine and partially suspend and revoke licences. We may consider imposing a fine, longer period of suspension or even revocation when circumstances call for them."

Ends

Note:

1. The alleged misappropriation by the settlement clerk is under Police investigation. On 20 May 2004, the SFC severely reprimanded S&C and publicly reprimanded Ms Ko Tze Ha, Salina, the owner and director of S&C. Ko was not licensed by the SFC and under the law applying at the time, the SFC could only reprimand her. Also see press release issued today on SFC's suspension of Ms Li Fung Kuen, Maggy. This concludes SFC's action on this case.

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