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15 June 2004

SFC Issues Restriction Notice on Charles Schmitt & Associates Limited

The SFC has issued a restriction notice on Charles Schmitt & Associates Limited to preserve the assets of the company and its clients, and to protect the interests of these clients and the investing public.

The restriction notice was issued today pursuant to sections 204 and 205 of the Securities and Futures Ordinance to prohibit Charles Schmitt & Associates Limited from carrying on any of the regulated activities for which it is regulated (Note 1) and disposing of or dealing with any assets held or controlled by it without the SFC's prior written consent.

Protection of clients' assets

At a meeting with Charles Schmitt & Associates Limited today, the SFC interviewed its Managing Director, Mr Charles Schmitt, during which he was not able to provide satisfactory answers regarding transfers of client monies into bank accounts with which he is connected. There is suspicion that client assets might have been misappropriated from a fund on which he advised on behalf of Charles Schmitt & Associates Limited, namely, CSA Absolute Return Fund. The CSA Absolute Return Fund is not authorised by the SFC.

The SFC therefore believes that clients' property has been dealt with in a manner prejudicial to the interests of the clients and considers that it is desirable in the interest of the investing public to issue a restriction notice.

The SFC will continue to look into the case to determine what further regulatory actions may be necessary. The SFC understands that the Commercial Crime Bureau of the Police is also investigating the matter.

For enquiries, investors may call SFC's investor hotline at 2840 9333.

Under the present regulatory regime, fund managers are required to appoint an independent trustee or custodian to provide safe custody of assets of unit trusts and mutual funds for investor protection. The present case appears to be an isolated case of deliberate fraud. The SFC will continue its vigilance programme to detect incidences of suspected fraud.

Ends

Notes to Editor:

1. Charles Schmitt & Associates Limited is licensed for advising on securities, corporate finance and asset management. Mr Schmitt is the owner and Managing Director of the company. He is also the fund manager of its unauthorised fund of hedge funds, CSA Absolute Return Fund.

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