

SFC Reprimands Infast Brokerage Limited for Failing to Detect Unauthorised Dealings in Clients' Accounts

8 Sep 2004

The SFC has reprimanded Infast Brokerage Limited.

Following a client's complaint to the SFC, the SFC found that a former dealer's representative of Infast had conducted unauthorised trades on more than 200 occasions in two clients' accounts between January and March 2003 (Note 1). Infast admitted that there was no system to regularly monitor the dealing activities of staff through listening to the tape recordings of clients' instructions. The SFC found that the lack of a proper monitoring system facilitated the former employee's unauthorised trades.

Further, Infast failed to promptly interview the employee, who was the subject of the complaint, and to promptly restrict his dealing activities so as to prevent further loss or damage to the client and Infast.

The SFC notes that Infast's clients suffered no loss. The SFC concludes that Infast had failed to exercise sufficient supervision over their staff, to implement internal control measures to prevent unauthorised trades and to promptly handle a client's complaint. Their fitness and properness have been called into question.

Mr Alan Linning, SFC's Executive Director of Enforcement said: "Brokers and their supervisors should supervise their staff closely and diligently so that improper or illegal activities committed by their staff are detected at an early stage. The prompt handling of complaints should help assess the nature and extent of the problem so that appropriate remedial action can be taken as early as possible. Immediate steps should be taken to freeze or at least monitor accounts which are the subjects of a complaint and to investigate into the matter."

Ends

Note:

1. The former dealer's representative resigned from Infast and the SFC lost jurisdiction to discipline him as a result of the Securities and Futures Ordinance transitional provisions. However, the law will require the former dealer's representative to satisfy the SFC that he is fit and proper considering his apparent conduct before deciding whether to re-license him.