

Enforcement Actions

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10 November 2004

SFC Bans Cheung Kwok Chiu, Kris for Life for Poor Financial Integrity and False Report to SFC

The SFC has banned Mr Cheung Kwok Chiu, Kris for life from the securities industry for poor financial integrity and lying to the SFC (Note 1).

In 2002, Cheung lodged a complaint with the SFC against an account executive of another securities firm. Cheung alleged that the account executive had transferred money from Cheung's account to a third party without his authorisation. Cheung also alleged that his signatures on the fund withdrawal slips were forged.

Following his complaint, the SFC investigated the matter. The SFC found that the account executive's mother had already filed a civil suit against Cheung before Cheung's complaint to the SFC.

According to the account executive and his mother, Cheung had given consent to them to make use of Cheung's account to trade in securities since 1999 and they had deposited funds in Cheung's account. The fund withdrawal slips were signed by Cheung in advance to facilitate withdrawal of their money when Cheung was not in town.

In August 1999, the account executive wanted to transfer \$1.6 million out of the account back to his mother, but Cheung instead withdrew the money and kept it himself. The account executive requested Cheung to repay the \$1.6 million by instalments but Cheung refused. They therefore filed a civil suit against Cheung.

In June 2004, the Court of First Instance ruled that the \$1.6 million Cheung had withdrawn from the account belonged beneficially to the account executive's mother and that Cheung had no right to the money. Cheung was ordered by the High Court to repay the money.

In view of Cheung's financial status, solvency and his financial integrity, and his dishonest attempts to mislead the SFC, the SFC concludes that his fitness and properness has been called into question.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "Licensed representatives who handle clients' money in their daily work must have financial integrity. Further, an attempt to mislead the SFC will have severe consequences. The SFC's view is that those who mishandle client assets or lie to the SFC are not fit and proper. The SFC will take severe disciplinary action against them proportionate to the circumstances."

Ends

Notes:

1. Cheung has left Lei Shing Hong Securities Ltd where he was a former licensed representative, and is no longer licensed by the SFC.

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