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## SFC Takes Action Against Tong On Jimmy

23 Dec 2004

The SFC has taken action against Mr Tong On Jimmy, the sole responsible officer and the sole proprietor of Chung Tak and Company.

The SFC discovered during a routine inspection of Chung Tak that some of its cash clients' securities were charged to its bank account as security for an overdraft facility (Note 1).

SFC's investigation revealed that Mr Tong had from time to time instructed his staff to transfer cash clients' shares to Chung Tak's bank account, thereby charging them to the bank as security for the overdraft facility. A sampling check of the period between October 2001 and June 2002 revealed that as much as \$33 million worth of clients' securities were charged to the bank. Following SFC's discovery, Mr Tong took immediate action in July 2002 to withdraw all client securities from the bank. No client suffered any pecuniary loss.

During the investigation, Mr Tong gave the SFC documents containing inaccurate information. The SFC considers that Mr Tong should have taken greater care to ensure that documents given to the SFC were not likely to mislead.

The SFC originally decided to revoke Mr Tong's licence. Mr Tong lodged an application to the Securities and Futures Appeals Tribunal for a review of the SFC's decision in July 2004. Mr Tong has ceased business and surrendered his licence, and he has undertaken never to reapply for a licence or similar regulatory approval from the SFC. The SFC therefore decides not to pursue the matter further.

Mr Eugène Goyne, SFC's Director of Enforcement, said: "Securities brokers should keep safe their cash clients' securities. Charging cash clients' securities subjects their property to unnecessary risk and is a serious abuse of the trust that clients place in the brokers."

Ends

Note:

1. The SFC prosecuted Mr Tong for breaches of sections 81(4) and 81(9) of the Securities Ordinance for charging cash clients' securities to a bank. After pleading guilty to three summonses, Tong was fined and ordered to pay investigation costs to the SFC. See SFC press release dated 5 February 2004.

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