

SFC Fines and Reprimands Master Trademore Securities Limited and Lo Lim Ester

22 Aug 2005

The SFC has reprimanded Master Trademore Securities Limited (MTSL) and its responsible officer, Ms Lo Lim Ester, and fined them \$30,000 each (Note 1).

The inquiry into the conduct of MTSL stemmed from an SFC's investigation which found Mr Suen Chi Keung, one of MTSL's licensed representatives, had engaged in short selling activities (Note 2). The SFC found a number of internal control weaknesses at MTSL:

- failure to implement adequate procedures to detect and prevent intra-day short selling;
- failure to put in place a written staff dealing policy;
- inadequate supervision of staff related accounts; and
- inadequate control over the use of the telephone recording system and a failure to implement effective procedures for the review of tape recordings of staff-client telephone conversations.

At all material times, Lo was the responsible officer of MTSL and directly supervised Suen. Accordingly, the SFC concludes that MTSL and Lo have been guilty of misconduct and their fitness and propriety has been called into question.

In reaching this decision, the SFC took into account:

- MTSL's and Lo's previous records of internal control failings (Note 3);
- MTSL's implementation of a number of remedial measures to strengthen its internal controls; MTSL and Lo co-operated fully with the SFC's investigation; and
- MTSL and Lo co-operated with the SFC in settling the disciplinary proceedings.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "Lax internal controls in a brokerage put the clients and the firm itself at risk. They may facilitate employees' misconduct and prejudice the interests of both the clients and the firm. The SFC will not tolerate firms with poor internal controls. Brokerage firms are expected to employ sufficient resources and procedures for the proper performance of their business operations."

Ends

Notes to Editor:

1. MTSL is a deemed licensed corporation under the Securities and Futures Ordinance authorised to carry on business in Type 1 (dealing in securities) regulated activities. Lo is a licensed representative accredited to and a responsible officer of MTSL. Lo is licensed to carry on Type 1 regulated activities.
2. Please refer to [SFC press release issued on 15 September 2004](#).

In July 2000, the SFC publicly reprimanded MTSL and Lo for internal control failings. Please refer to [press release issued on 6 July 2000](#).

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