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SFC Reprimands Lui Chi Chung Josaphat for Supervisory Failures

20 Oct 2005

The SFC has reprimanded Mr Lui Chi Chung Josaphat, a former dealing director of Top Equity Brokerage Limited, for supervisory failures (Note 1).

In November 2002, an independent accounting firm was commissioned by Top Equity at the SFC's request to conduct a comprehensive review of Top Equity's internal control system. Some major deficiencies were identified during the review, including:

- settlement of clients' trades by third parties was tolerated;
- account executives were allowed to handle the clients' contract notes without authorisation from clients;
- its client address database contained a large number of errors; and
- its management failed to take action in respect of clients' late settlement of trades, and allowed an account executive to take up the long outstanding liabilities from his clients.

Lui was a dealing director of Top Equity at the relevant time, and bore ultimate responsibility for the firm's internal control failings. The SFC therefore concludes that the fitness and properness of Lui has been called into question and decides to reprimand him.

In deciding on the penalty, the SFC has taken into account that Lui's transfer of accreditation application has been deferred for several months as a result of this case and that Top Equity implemented the recommendations of the independent accounting firm and rectified its internal control failures.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "Brokerage firms must put in place proper internal control systems to ensure that client accounts are properly managed and under control. This is important to ensure that account executives do not conduct any unauthorised trading or commit other misconduct in relation to client accounts. Responsible Officers are ultimately responsible for ensuring that relevant rules and regulations are complied with by the licensed corporations at all times. We will continue to take disciplinary action against licensed corporations and their management who fail to put in place proper internal control systems."

Ends

Notes to Editor:

1. Top Equity Brokerage Limited changed its name to Goldbond Securities Limited in 2003. Lui was a dealing director of Top Equity from December 1992 to December 2004. At present, Lui is not accredited to any licensed corporation.

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