

## SFC Reprimands and Fines Bright Smart Securities International (HK) Limited and Chan Pang for Aiding and Abetting Unlicensed Dealing and Other Misconduct

24 Oct 2005

The SFC has reprimanded Bright Smart Securities International (HK) Limited and its responsible officer Mr Chan Pang and fined them \$75,000 and \$60,000 respectively, for aiding and abetting unlicensed dealing, posting misleading information on Bright Smart's website and failing to supervise unlicensed customer services officers. The actions are the result of a settlement between Bright Smart, Chan and the SFC (Note 1).

Following an investigation, the SFC found that Chan had knowingly allowed an unlicensed member of staff to conduct securities dealing activities from 4 May 2004 to 6 August 2004. That member of staff and Chan were successfully prosecuted by the SFC for unlicensed dealing and aiding and abetting respectively on 5 May 2005 (Note 2).

Chan was also found to have approved misleading contents in a newsletter posted on Bright Smart's website in June 2004. The newsletter stated that one of the duties of Bright Smart's customer services officers was to provide investment analysis. It held the customer services officers out as performing a service which falls within Type 4 (advising on securities) regulated activity when three of them were unlicensed.

Chan was responsible for assigning job duties to the customer services officers but he failed to supervise their work. In July and August 2004, the three unlicensed officers recommended clients who called Bright Smart's customer services hotline to purchase specific stocks.

The SFC concludes that Bright Smart and Chan have breached paragraph 4.3 and General Principles 2, 3 and 7 of the Code of Conduct for Persons Licensed by or Registered with the SFC, and their fitness and properness has been called into question.

In deciding the level of fine and penalties, the SFC has considered the Disciplinary Fining Guidelines (Note 3) and all the circumstances of the case, including the fact that:

- Bright Smart was previously reprimanded and fined \$50,000 by the SFC for publishing false and misleading advertisements in newspapers (Note 4);
- Chan pleaded guilty to the charge of aiding and abetting unlicensed activities and was fined by the court;
- Bright Smart issued an internal circular in September 2004 reminding unlicensed staff not to perform regulated activities;
- Bright Smart has improved its internal control system by installing an additional recording system to record the telephone conversations of its customer services officers and a responsible officer has been designated to monitor them; and
- Bright Smart and Chan were co-operative with the SFC investigation and in settling the disciplinary proceeding.

The SFC considers the settlement to be in the interest of the investing public and in the public interest.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "It is a criminal offence to carry out regulated activities without being licensed by the SFC. Licensees who aid and abet unlicensed activities will face both prosecution and disciplinary action. Brokerages are also reminded to ensure that staff performing regulated activities are properly licensed and that their publications do not contain false and misleading information."

Ends

Notes to Editor:

1. Bright Smart Securities International (HK) Limited holds a licence under the Securities and Futures Ordinance to carry on business in Type 1 (dealing in securities) regulated activity. Chan is a licensed representative and responsible officer accredited to Bright Smart Securities International (HK) Limited and Bright Smart Futures & Commodities Company Limited. He is licensed to carry on Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities.

2. Please refer to [SFC press release dated 5 May 2005](#) for details.

3. The Disciplinary Fining Guidelines were issued by the SFC in March 2003 under section 199 (1)(a) of the Securities and Futures Ordinance. The Guidelines can be found on the SFC website under "Legislation and Regulatory Handbook" – "Regulatory Handbook" – "Codes, Guidelines and Circulars".

4. Please refer to [SFC press release dated 25 November 2004](#) for details.

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