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SFC Reprimands and Suspends Chow Kin Yuen for Breaches of the Code of Conduct and Internal Policies of His Ex-employer

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The SFC has reprimanded Mr Chow Kin Yuen and suspended his licence for two months from 1 November 2005 to 31 December 2005 for breaches of General Principles 1, 2 and 6 and various requirements of the Code of Conduct for Persons Licensed by or Registered with the SFC (April 2003) and the Staff Dealing Rules and Securities Operation Manual of his ex-employer CITIC Capital Securities Limited (Note 1). The reprimand and suspension are the result of a settlement between Chow and the SFC.

An SFC investigation into the conduct of Chow from 14 April 2004 to 10 March 2005 found that:

- Chow had traded jointly with a client of CITIC in three stocks from June 2004 to January 2005;
- Chow had used his sister's securities account to conduct joint trading with the client without her prior consent and written authorisation;
- Chow had signed as the client on the dealing tickets even though he knew CITIC had required the clients who placed orders in person to sign on the relevant dealing tickets;
- Chow had failed to report a trading error to CITIC but asked the client to take up a portion of the over-purchased shares while he took up the rest;
- Chow had failed to execute a market order placed by the client to sell the over-purchased shares as he had a vested interest in the shares and hoped to sell the shares at a higher price. He had placed limit orders instead and the shares were ultimately sold at lower prices; and
- when the client subsequently complained against Chow for failing to execute her market order, Chow had failed to report the complaint to CITIC.

The SFC concludes that Chow's fitness and properness has been called into question. In deciding the penalty, the SFC has taken into account the following:

- Chow co-operated with the investigation and accepted full responsibility for his actions;
- Chow's co-operation in settling the disciplinary proceedings;
- Chow compensated the client for the trading loss; and
- Chow has a clean disciplinary record.

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

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "Licensees should not conduct trading jointly with their clients as this creates a conflict of interest. If licensees have a vested interest in clients' positions, they are unable to exercise objective judgment in handling transactions and may even fail to execute clients' instructions which are contrary to their own interests. It is also unacceptable to ask clients to take up shares bought by mistake and to conceal clients' complaints from the management. Licensees are obliged to act in the best interests of their clients, avoid any conflicts of interest with their clients and handle complaints in a timely and appropriate manner. Those who fail to do so will face disciplinary action."

Ends

Notes to Editor:

1. Chow was a representative accredited to CITIC Capital Securities Limited between 22 October 2003 and 1 June 2005 before his resignation at the end of May 2005 and was licensed under the Securities and Futures Ordinance to carry on Type 1 (dealing in securities) regulated activity.

