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## SFC Reprimands and Fines Grand Investment (Futures) Limited for FRR Breaches

8 Nov 2005

The SFC has reprimanded Grand Investment (Futures) Limited and fined it \$300,000 for failing to maintain the required liquid capital on 22 days between March and June 2004, in breach of the Securities and Futures (Financial Resources) Rules (FRR) (Note 1).

The SFC found that Grand Investment (Futures) had breached the liquid capital requirement by overstating its liquid assets and understating its ranking liabilities. Grand Investment (Futures) claimed that it was unaware of the FRR breaches until they were pointed out by the SFC. Grand Investment (Futures) also claimed that it had misinterpreted the relevant FRR provisions.

The SFC found that Grand Investment (Futures) had failed to ensure FRR compliance and considered that the reliance of Grand Investment (Futures) on an accounting manager, who had no recognised professional qualification in accounting to compile the FRR returns, was not reasonable in the circumstances.

The SFC concludes that the fitness and properness of Grand Investment (Futures) has been called into question. The SFC also considers that it is in the public interest and in the interests of investors to settle its disciplinary action against Grand Investment (Futures).

In considering the settlement with Grand Investment (Futures), the SFC has taken into account that:

- (i) Grand Investment (Futures) promptly rectified the liquid capital deficiency by capital injection;
- (ii) Grand Investment (Futures) had no previous disciplinary record; and
- (iii) Grand Investment (Futures) co-operated with the SFC in the early settlement of the disciplinary proceedings.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "FRR compliance is fundamental to the fitness and properness of a licensed corporation. A licensed corporation must reasonably ensure that its FRR return is properly compiled to reflect its actual financial position. Otherwise, it will be held liable to erroneous FRR returns."

Ends

Notes to Editor:

1. Grand Investment (Futures) is licensed to carry on Type 2 (dealing in futures contracts) regulated activity.

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