
Enforcement News

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1 March 2006

SFC Bans Lam Wing Chit from Re-entering the Industry for Failures to Comply with the SFO and to Give Reasonable Investment Advice

The SFC has prohibited Mr Lam Wing Chit from applying to be a licensed representative or seeking to act as a relevant individual for a registered institution for three months, for failing to comply with the prohibition against cold calling under the Securities and Futures Ordinance and failing to give reasonable investment advice to his client. The ban will take effect from 1 March 2006 to 31 May 2006 (Note 1).

The disciplinary action follows Lam's conviction after trial for making unsolicited calls inducing a prospective client to enter into agreement to trade in futures contracts while acting as a licensed representative of Tanrich Futures Limited (Note 2).

The SFC found that Lam had made telephone calls to a prospective client, with whom Lam had no acquaintance, asking him for meetings to introduce him to futures trading. When Lam visited him, Lam induced him to open an account with Tanrich Futures. The prospective client did not open an account with Tanrich Futures. He told Lam that he understood cold calling was prohibited and asked Lam not to call him anymore.

During the investigation of Lam's cold calling activities, the SFC also found that Lam had advised his client to simultaneously hold equal long and short positions in the same futures contract but was unable to offer reasonable explanation for his recommendation (Note 3).

The SFC concludes that Lam has been guilty of misconduct and his fitness and properness has been called into question and it has decided to prohibit him from re-entering the industry for three months.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "Under the SFO, a licensed person cannot escape the disciplinary regime simply by leaving the industry. Cold calling is serious misconduct. The SFC will prosecute all cold calling activities discovered. In giving trading recommendations to clients, a licensed representative is under a duty to ensure that the advice given is reasonable in the circumstances. Holding equal long and short positions of the same futures contract at the same time does not appear to serve any genuine economic purpose. Investors should exercise judgment and should not take it for granted that the trading strategy recommended to them is always suitable."

Ends

Notes to Editor:

1. Lam was licensed under the Securities and Futures Ordinance to carry on Type 2 (dealing in futures contracts), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities and was a representative accredited to Tanrich Futures. Lam left Tanrich Futures in January 2004 and is not currently licensed.
2. Please see [SFC press release dated 17 November 2005](#) for details.
3. Simultaneous holding of equal long and short positions is commonly known as "locking". For further information regarding locking, please refer to the March 2005 issue of Dr Wise's Column entitled "Look Before You Lock", available on the InvestEd website at www.InvestEd.hk.

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