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# SFC Suspends Kou Kuen Katerine and Reprimands and Fines Victory Securities Company Limited for Breaching the Code of Conduct

28 Mar 2006

The SFC has suspended Ms Kou Kuen Katerine, a responsible officer of Victory Securities Company Limited, for one month from 28 March 2006 to 27 April 2006 and reprimanded Victory and fined it \$50,000 for breaching the Code of Conduct for Persons Licensed by or Registered with the SFC (Note 1).

The action follows an SFC investigation into the re-pledging of client securities by Victory and the misallocation of client securities to designated CCASS sub-accounts. The investigation found that Victory had:

- pledged securities belonging to its cash clients to its banks recklessly on two occasions in August 2003 involving shares worth \$77,255 and \$56,609 respectively without obtaining prior client approval; and
- failed to implement an effective internal control system to ensure that client securities were properly allocated to the correct designated CCASS sub-accounts.

Victory's breach was attributable to Kou.

The SFC concludes that Victory's and Kou's fitness and properness has been called into question. In deciding their penalty, the SFC has considered the Disciplinary Fining Guidelines (Note 2) and all the circumstances of the case including:

- their guilty plea to the breach of the Securities and Futures (Client Securities) Rules which resulted in their convictions (Note 3);
- no loss to Victory's clients in the incidents;
- Victory co-operated with the SFC's investigation;
- the remedial action taken by Victory to strengthen its internal controls; and
- their clean disciplinary record.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "The proper and safe custody of client assets is an important and fundamental duty of a brokerage firm. It is therefore essential that brokerages put in place adequate measures to ensure client assets are not at risk of being misused or misappropriated. The SFC will continue to take strong action against brokerages and their responsible officers who fail to safeguard client assets."

Ends

Notes to Editor:

1. Victory is licensed under the Securities and Futures Ordinance to carry on business in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

Kou is licensed under the Securities and Futures Ordinance to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities. She is a responsible officer accredited to Victory.

2. [The Disciplinary Fining Guidelines](#) are available on the SFC website at [www.sfc.hk](http://www.sfc.hk).

3. Please see [SFC press release dated 31 March 2005](#) for details.

Page last updated : 1 Aug 2012