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SFC Reprimands and Fines Hong Kong Wealth Management Limited for Internal Control and Supervisory Failures

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The SFC has reprimanded Hong Kong Wealth Management Limited (HKWM) and fined it \$100,000 for internal control and supervisory failures (Note 1). This is the result of a settlement between HKWM and the SFC.

HKWM accepts the sanction for its failure in the prevention of certain unlicensed activities conducted by four of its staff from late 2002 to mid 2003. The four unlicensed staff had advised their clients to invest in certain mutual funds authorised by the SFC, in contravention of the provisions of the Securities Ordinance and the Securities and Futures Ordinance (Note 2).

The SFC concludes that HKWM has been guilty of misconduct and its fitness and properness has been called into question. In deciding the settlement terms, the SFC has considered the Disciplinary Fining Guidelines (Note 3) and all the circumstances of the case, including the fact that:

(1) HKWM

- fully and actively co-operated with the SFC in assisting with the SFC's investigation;
- admitted its failing and settled this action with the SFC; and
- took immediate remedial actions to strengthen its internal controls and compliance system and rectify the failing; and

(2) no pecuniary loss was caused to any clients of HKWM or other parties.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "A licensed corporation has a duty to ensure it and its staff fully comply with all the regulatory requirements applicable to the conduct of its business activities. In the present case, HKWM failed to prevent its unlicensed staff from selling mutual funds to clients. The settlement terms reflect that HKWM has actively cooperated with our investigation and taken prompt remedial measures."

Ends

Notes:

1. HKWM is licensed under the Securities and Futures Ordinance to carry on business in Type 4 (advising on securities) regulated activity.
2. Please see SFC press releases dated [8](#) and [22 September 2005](#) for details of the prosecutions against two of the staff.
3. The [Disciplinary Fining Guidelines](#) are available on the SFC website at <http://www.sfc.hk>.

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