
Enforcement News

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6 June 2006

SFC Suspends Keung Man Bun for Account Opening Failures and Failure to Give Reasonable Investment Advice

The SFC has suspended Mr Keung Man Bun for three months from 2 June 2006 to 1 September 2006 for failing to explain the client agreement and the risk disclosure statement to one of the two joint account holders in a joint account and to give reasonable investment advice to his clients (Note 1).

The disciplinary action follows an investigation into Keung's misconduct while acting as a licensed representative of Tanrich Futures Limited.

The SFC found that Keung falsely represented that he had witnessed the joint account holders' execution of the account opening documents when in fact one of the clients was not present at the relevant time. In addition, Keung falsely represented that he had explained the client agreement and the attached risk disclosure statement to that client when in fact he did not.

The SFC also found that Keung had advised his clients to simultaneously hold equal long and short positions in the same futures contract without any reasonable explanations and misrepresented that it would reduce risk and might recover trading losses (Note 2).

The SFC concludes that Keung has been guilty of misconduct and his fitness and properness has been called into question. In determining the sanction, the SFC has taken into account that Keung admitted that he was negligent in accepting the return of the account opening documents from one joint account holder without verifying with the other.

Mr Eug-ne Goyne, an SFC Senior Director of Enforcement, said: "Making false representations about witnessing the execution of account opening documents gravely calls into question the integrity of a representative. Suspension is necessary

to sanction such improper conduct. 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:

1. Keung is licensed under the Securities and Futures Ordinance to carry on Type 2 (dealing in futures contracts) regulated activity. He was accredited to Tanrich Futures at the material time and he left the company in September 2003. He is accredited to Shun Loong Futures Limited.
2. 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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