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SFC Bans Charles Lee Schmitt for Life for Misappropriating Client Assets and False Accounting

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The SFC has banned Mr Charles Lee Schmitt from re-entering the industry for life under the Securities and Futures Ordinance for misappropriating client assets and being convicted of false accounting (Note 1).

The disciplinary action follows the investigations by the SFC into the report by directors of Charles Schmitt & Associates Limited that Schmitt was suspected of misappropriating client assets from the CSA Absolute Return Fund Limited (Note 2).

The SFC found that Schmitt was responsible for advising the CSA Fund and giving instructions to the fund custodian for allocating investors' subscription proceeds to the sub-funds. Schmitt diverted the investors' subscription proceeds for the CSA Fund for his own use by allocating the proceeds to sub-funds with names strikingly similar to the CSA Fund's sub-funds and company bank accounts of which Schmitt was an authorised signatory.

Schmitt was arrested by the Police and charged with offences under the Theft Ordinance. On 21 September 2006, Schmitt pleaded guilty to 19 counts of false accounting at the High Court and is awaiting sentence.

As a result of Schmitt's conviction, the SFC concludes that Schmitt's fitness and properness has been gravely called into question. The SFC therefore decides to ban Schmitt for life from re-entering the industry. In determining the penalty, the SFC has taken into account that Schmitt's conduct was dishonest and caused substantial losses to his clients but he co-operated with the SFC and the Police after his conduct was reported.

Mr Mark Steward, SFC's Executive Director of Enforcement, said: "Theft and forgery are very serious misconduct that we will not tolerate. The SFC will ban from the industry those who engage in such conduct for life in order to protect the investing public and to deter such misconduct from happening."

Ends

Notes:

1. Schmitt was licensed under the Securities and Futures Ordinance to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities. He was the responsible officer of Charles Schmitt & Associates Limited. The licence for Charles Schmitt & Associates Limited to carry on business in regulated activities was revoked in February 2006. Schmitt's licence has also been revoked and he is currently not a licensed person.

2. Please see SFC press releases dated [15](#) and [16 June 2004](#). The CSA Fund is in the process of being liquidated. The SFC understands that the liquidator has fully repaid the investment of 219 investors and expects the other 849 investors to receive 60 to 70% of their investment in the CSA Fund.

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