

Enforcement News

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SFC Reprimands and Fines Pong Kwok Hung Patrick

The SFC has issued a reprimand to Mr Pong Kwok Hung Patrick, a research analyst of South China Research Limited, and fined him \$60,000 (Note 1).

An SFC investigation found that Pong placed himself in a position of conflict contrary to the Code of Conduct. The conflict in question relates to share trading by Pong both before and after South China issued research reports which Pong had prepared.

In one case in 2003, Pong purchased securities days before he prepared a research report recommending clients to buy the same securities. Even though Pong did not initiate the research report in question, he failed to disclose his interest in the shares which were the subject of the report.

In SFC's view, Pong should not have prepared a research report recommending securities in which he had an interest.

In another case in 2003, Pong bought shares days after South China issued a research report which he had prepared and in which he recommended clients to sell the same shares.

In SFC's view, Pong should not have dealt in shares that were the subject of a South China research report despite there was evidence to suggest his trading in these shares was prompted by factors arising subsequently to the issue of the research report.

In deciding the sanction, the SFC has taken into account all the circumstances including that Pong had no disciplinary history, he is inexperienced and remorseful, his full co-operation and no clients appeared to have been prejudiced. In particular, there was no evidence that Pong's trading in both cases had influenced the

recommendations made in the research reports.

Mr Mark Steward, SFC's Executive Director of Enforcement, said: "This kind of misconduct calls into question the impartiality of research reports and jeopardises the confidence that clients and investors can place in the reports and their advisers. It is obvious advisers should not prefer their own interests to their clients nor trade against their clients' interests nor should they expose themselves or their firms to such conflicts."

Ends

Notes:

1. Pong is licensed under the Securities and Futures Ordinance to carry on Type 4 (advising on securities) regulated activity.

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