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## Enforcement News

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6 June 2008

### **SFC Resolves Compliance Issues with ICEA Capital Limited and ICEA Securities Limited**

The SFC has resolved certain compliance issues with ICEA Capital Limited (ICEAC) and ICEA Securities Limited (ICEAS) (Note 1).

Under the resolution:

- the SFC fines ICEAC and ICEAS HK\$38 million;
- ICEAC and ICEAS will engage an independent audit firm to conduct reviews of their internal control and compliance systems;
- the timing of the review will be determined by the SFC within three years of the agreement; and
- if the companies are found to have committed material breaches or failures within three years of the agreement, their licences may be revoked.

Mr Mark Steward, the SFC's Executive Director of Enforcement, said: "The fines and the acknowledgement of regret deal appropriately with the past but of greater significance is the willingness of ICEAC and ICEAS to establish good compliance practices. The SFC regards this outcome as positive and forward looking for the market and the investing public as a whole."

The SFC found that, from 2002 to 2004, the following compliance lapses occurred at ICEAC and ICEAS:

- conduct of senior staff members of ICEAC and ICEAS (all of whom have

left ICEAC and ICEAS) created an impression that ICEAC and ICEAS were providing improper support to a certain listed stock;

- failure to maintain a sufficiently robust Chinese Wall between ICEAS's proprietary trading activities and ICEAC's corporate finance activities on two separate occasions;
- failure to pay rebates owed to clients at the appropriate time by a branch of ICEAS. The rebates were subsequently paid to the relevant clients; and
- instances of unregistered dealing activities, unauthorised trading activities and unauthorised transfers of client money occurred at a branch of ICEAS.

ICEAC and ICEAS acknowledge the findings made by the SFC in respect of the compliance lapses set out above. ICEAC and ICEAS regret that these compliance lapses occurred.

In deciding to resolve compliance issues with ICEAC and ICEAS, the SFC took into account that:

- ICEAC and ICEAS have implemented internal controls and compliance measures (certain key elements of which have been independently reviewed by a third party appraiser appointed after consultation with the SFC) to ensure that similar compliance lapses will not reoccur in the future. For example, the internal systems and controls of both ICEAC and ICEAS and the Chinese Walls between the different business functions have been enhanced;
- since 2005, ICEAC and ICEAS have installed entirely new management teams;
- certain compliance lapses were reported to the SFC by ICEAC and ICEAS, and they had conducted internal investigations into these matters; and
- ICEAC and ICEAS fully co-operated with the SFC at both investigation and disciplinary stages.

Ends

## Notes :

1. ICEA Capital Limited is a corporation licensed under the Securities and Futures Ordinance to carry on business in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. ICEA Securities Limited is a corporation licensed to carry on business in Type 1 (dealing in securities) regulated activity.

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