

# SFC reprimands and fines Wah Thai Securities Ltd

23 Apr 2009

The Securities and Futures Commission (SFC) has issued a reprimand to Wah Thai Securities Ltd (Wah Thai) and fined it \$100,000 (Note1).

The SFC found that Wah Thai deposited some client money into a third party bank account, instead of depositing it into a segregated account, in order to conduct netting-off transactions in relation to clients' sell and buy trades. This arrangement was in breach of the Securities and Futures (Client Money) Rules.

In these netting-off transactions, Wah Thai would issue cheques to clients for proceeds of the sell transactions. Clients could choose to return to Wah Thai its cheque to net-off when they owed Wah Thai monies. Wah Thai would then deposit the returned cheque into the third party bank account. If the returned cheque was of an amount greater than that owed by the client, Wah Thai would subsequently issue a cheque to the client from the third party account to settle the difference. Likewise, a cheque would be issued from the third party bank account in favour of Wah Thai to reimburse Wah Thai of the money owed by clients that was deposited to the third party bank account.

In deciding on the penalty, the SFC has taken into account all the circumstances including:

- this was a technical breach as Wah Thai did not know that it could open more than one trust account under Wah Thai's name;
- no clients have suffered any loss, damage or prejudice;
- there was no evidence of misappropriation;
- client money which was deposited into the third party bank account remained in the account for a very short period of time, usually withdrawn on the same day;
- the amount of each deposit or withdrawal was usually below \$100,000; the highest day end balance in the third party bank account was around \$500,000;
- Wah Thai has remedied the deficiency by terminating the use of the third party bank account as soon as the SFC informed them that this was a malpractice; and
- Wah Thai fully co-operated with the SFC during the investigation and disciplinary stage.

End

Note:

1. Wah Thai is licensed under the Securities and Futures Ordinance to carry on Type 1 (dealing in securities) regulated activity.

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