
Enforcement News

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SFC reprimands and fines Tanrich Futures Ltd, bans its former responsible officer Yip Man Fan

The Securities and Futures Commission (SFC) has resolved compliance issues with Tanrich Futures Ltd (Tanrich Futures) (Note 1) and banned its former responsible officer, Mr Yip Man Fan, for nine months (Note 2).

Under the resolution:

- the SFC reprimands and fines Tanrich Futures \$4 million;
- Tanrich Futures will engage an independent audit firm to conduct a review of its internal controls for the prevention of cold calling and locking (Note 3);
- the timing of the review will be selected by the SFC; and
- if cold calling and locking transactions were found to be material within a two-year period, Tanrich Futures will be suspended for a minimum of 12 months.

The disciplinary action follows the SFC's investigations into complaints received from the clients of Tanrich Futures and the misconduct of its licensed representatives (Note 4). The SFC found that Tanrich Futures failed to:

- take reasonable steps to ensure its representatives properly understood the prohibition against cold calling;
- adequately supervise its representatives to reasonably ensure their compliance with the laws against cold calling; and
- reasonably ensure that the investment advice given by its representatives to clients to "lock" their futures trading positions was suitable and reasonable in the circumstances (Note 5).

The failures of Tanrich Futures were attributed to Yip. He neglected his management responsibility as a responsible officer who was also involved in the management of regulated business at Tanrich Futures.

End

Notes:

1. Tanrich Futures is a corporation licensed under the Securities and Futures Ordinance to carry on business in Type 2 (dealing in futures contracts) regulated activity.
2. Yip Man Fan was formerly a licensed representative and responsible officer of Tanrich Futures. He ceased to be a director of Tanrich Futures in September 2008 and is no longer involved in the management of the company.
3. The representatives of Tanrich Futures advised their clients to simultaneously hold equal long and

short positions, commonly known as “locking”, without any reasonable explanation as to how this would benefit the client. For further information regarding “locking”, please refer to the March 2005 issue of Dr Wise’s Column entitled “Look Before You Lock” which is available on the SFC’s InvestEd website at www.InvestEd.hk.

4. Please see SFC press releases dated 30 September 2004, 29 September 2005, 10 November 2005, 17 November 2005, 1 December 2005, 11 January 2006, 24 January 2006, 1 March 2006, 13 March 2006, 31 March 2006, 26 April 2006, 6 June 2006 and 19 July 2006 for details.

5. Tanrich Futures has banned the practice of allowing its customers to hold “locked” positions since February 2008.

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