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## Enforcement News

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3 March 2011

### **SFC reprimands and fines CES Capital International Co. Ltd and responsible officer**

The Securities and Futures Commission (SFC) has resolved compliance concerns with CES Capital International Co. Ltd (CES Capital) (Note 1) and its responsible officer, Mr Zhang Rigang (Note 2). Under the resolution, the SFC reprimands and fines CES Capital \$2 million for its failure to safeguard client monies and, the SFC also reprimands and fines Zhang \$250,000.

An SFC investigation found that CES Capital used client monies to discharge settlement obligations with the Central Clearing and Settlement System (CCASS) of the Hong Kong Securities Clearing Company Limited.

In April 2009, one of CES Capital's clients refused to pay for shares purchased on his behalf which created a deficit of over \$51 million in the firm's bank account designated for CCASS settlement.

CES Capital transferred funds held on account for over 50 clients to cover the deficit and settle the share purchase. CES Capital had no authority to use client monies in this way. Zhang is responsible for the fund transfer.

Although no client suffered any loss and CES Capital repaid the client monies on the same day, this conduct, which represents a breach of CES Capital's duty to safeguard client assets and involved client monies being used on two consecutive settlement days.

In deciding the disciplinary sanction, the SFC took into account the clear disciplinary records of CES Capital and Zhang, and their co-operation in resolving the disciplinary proceedings.

End

Notes:

1. CES Capital is a corporation licensed under the Securities and Futures Ordinance (SFO) to carry on business in Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), and Type 5 (advising on futures contracts) regulated activities.
2. Zhang is licensed under the SFO to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), and Type 5 (advising on futures contracts) regulated activities and a responsible officer of CES Capital.

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