

## SFC suspends Wu Li Jun for six months

3 Jul 2014

The Securities and Futures Commission (SFC) has suspended Ms Wu Li Jun, a former employee of China Merchants Securities (HK) Co., Limited (China Merchants Securities), for six months from 3 July 2014 to 2 January 2015 (Note 1).

The disciplinary action follows an SFC investigation which found that between September and December 2011:

- Wu made nine deposits in the total sum of \$15,831,032 for various clients to China Merchants Securities' segregated accounts for holding client monies. Wu knew that China Merchants Securities did not permit her to make cash deposits on behalf of her clients in their absence. She nevertheless disregarded the requirement and deliberately circumvented its internal control procedures governing the ways in which client deposits should be made to China Merchants Securities.
- Wu failed to properly and adequately safeguard client assets as she had put her clients' interests at risk by allowing her clients to deposit their monies into her personal bank account or a third party's bank account before the monies were deposited into China Merchants Securities' segregated accounts.

The SFC considers that Wu's conduct called into question her fitness and properness to be a licensed person. In deciding the penalty, the SFC took into account all relevant circumstances, including that:

- there is no evidence that Wu obtained any monetary benefits in the money transfer process;
- Wu promptly deposited money received from the clients into China Merchants Securities' segregated accounts; and
- Wu has an otherwise clean disciplinary record.

End

Notes:

1. Wu was licensed as a representative under the Securities and Futures Ordinance to carry on Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities and was accredited to China Merchants Securities (HK) Co., Limited and China Merchants Futures (HK) Co., Limited between 25 January 2006 and 14 January 2014. Wu is currently not accredited to any licensed corporation.
2. A copy of the [Statement of Disciplinary Action](#) in relation to the matter is available on the SFC website.

Page last updated : 3 Jul 2014

---

## STATEMENT OF DISCIPLINARY ACTION

---

### The Disciplinary Action

1. The Securities and Futures Commission (“**SFC**”) has suspended the licence of Ms Wu Li Jun (“**Wu**”), a former employee of China Merchants Securities (HK) Co., Limited (“**CMS**”), for six months pursuant to section 194 of the Securities and Futures Ordinance.
2. The SFC found that between September and December 2011 (the “**Material Period**”), Wu:
  - (a) deliberately circumvented CMS’ internal control procedures governing the ways in which client deposits should be made to CMS and CMS’ prohibition of its account executives depositing monies to CMS for clients; and
  - (b) failed to properly and adequately safeguard client assets in breach of General Principle 8 (client assets) of the Code of Conduct<sup>1</sup>.

### Summary of Facts

3. Wu was an account executive at CMS between 25 January 2006 and 14 January 2014.
4. During the Material Period, Wu made nine deposits in the total sum of \$15,831,032 for various clients into CMS’ segregated accounts for holding client monies (“**CMS’ Account(s)**”). In relation to:
  - (a) 5 deposits – monies were first deposited into Wu’s personal bank account, and the same amounts were withdrawn from her account and deposited into CMS’ Account on the same day or the following day;
  - (b) 3 deposits – monies were withdrawn from Wu’s personal bank account and then deposited into CMS’ Account on the same day; and
  - (c) 1 deposit – money was first deposited into the personal bank account of a third party and then withdrawn and deposited into CMS’ Account on the same day.
5. The bank pay-in slip for each of the above deposits made to CMS’ Accounts was marked with the name of the relevant account holder and the corresponding account number. The monthly statements of Wu’s clients also showed a receipt of the relevant deposits from CMS’ Accounts.
6. CMS had internal policies and procedures on how client monies should be handled. Deposit made by a third party for a client’s securities trading account, depending on the amount involved, would require the approval of one or two responsible officer(s) of CMS before it could be accepted as a client deposit. It was also CMS’ policies during the Material Period that its

---

<sup>1</sup> Code of Conduct for Persons Licensed by or Registered with the SFC

account executives were not allowed to deposit money on their clients' behalf into their accounts at CMS.

7. Wu acknowledged that:
  - (a) she handled the nine deposits for her clients;
  - (b) she knew CMS' policies did not permit her to make cash deposits on behalf of clients in their absence; and
  - (c) in order to circumvent CMS' requirements, she made cash deposits, which would not reveal the identity of the depositors immediately and as such, would be accepted by CMS.

## **Conclusion**

8. The evidence shows that Wu made the nine deposits for her clients. She did not obtain approval from CMS' responsible officer(s) for each of the nine deposits but disguised the deposits as if they were made by the clients themselves so as to avoid the need to obtain approval. Wu was fully aware of CMS' internal policies and procedures governing client cash deposits. In particular, she knew CMS did not permit her to make cash deposits on behalf of her clients in their absence. Nevertheless, she chose to disregard those requirements and assisted her clients in circumventing the procedures and defying the controls against account executive handling client monies on all nine occasions.
9. The controls against depositing money directly into bank accounts of account executives are measures to prevent fraud and misappropriation of client assets. As a licensed representative, Wu was required under General Principle 8 of the Code of Conduct to ensure that assets received from clients, including their monies, are properly accounted for and adequately safeguarded. By allowing her clients to deposit monies into her personal or a third party's bank account before she deposited the monies into CMS' Accounts, she has put her clients' interests at risk, in breach of General Principle 8 of the Code of Conduct.
10. Having considered all the circumstances, the SFC is of the view that Wu is not fit and proper to remain licensed and has decided to take the disciplinary action against Wu as described in paragraph 1 above.
11. In deciding the appropriate penalty, the SFC has taken into account all relevant circumstances, including that:
  - (a) there is no evidence that Wu obtained any monetary benefits in the money transfer process;
  - (b) Wu promptly deposited money received from the clients into CMS' Accounts; and
  - (c) Wu has an otherwise clean disciplinary record.