

SFC bans Wong Wai Hong for six months

5 May 2015

The Securities and Futures Commission (SFC) has banned Mr Wong Wai Hong, former Chairman and Chief Executive Officer of Lyncean Securities Limited (Lyncean Securities), from re-entering the industry for six months from 4 May 2015 to 3 November 2015 for breach of the SFC's Code of Conduct (Notes 1 & 2).

The disciplinary action follows an SFC investigation which found that, between 14 September and 29 October 2012, Wong effected numerous transactions in a client's account on a discretionary basis without obtaining the client's written authorization.

The SFC considers that the client's interests were prejudiced as Wong's failure deprived the client from the firm's protection on discretionary account. As the client's securities account was not designated as a discretionary account by the firm, the operation of the client's securities account was not properly monitored and supervised by the firm (Note 3).

Lyncean Securities has compensated the affected client by reimbursing him 80 per cent of the loss incurred in his securities account.

End

Notes:

1. Wong was licensed under the Securities and Futures Ordinance to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities and was accredited to Lyncean Securities Limited (currently known as Brilliant Norton Securities Company Limited) from 3 January 2012 to 29 October 2012. Wong is currently not licensed by the SFC.
2. Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (October 2011 version).
3. The Code of Conduct requires a licensed person to obtain a written authorization before operating a discretionary account for a client.

[A copy of the Statement of Disciplinary Action is available on the SFC website](#)

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STATEMENT OF DISCIPLINARY ACTION

The Disciplinary Action

1. The Securities and Futures Commission (**SFC**) has banned Mr Wong Wai Hong (**Wong**)¹ for a period of 6 months pursuant to section 194(1)(iv) of the Securities and Futures Ordinance (**SFO**).
2. The SFC found that Wong effected transactions in a securities account of a client (**Client**) at Lyncean Securities Limited (**Lyncean Securities**)² on a discretionary basis without written authorization from the Client.
3. Wong's conduct was in breach of paragraph 7.1 of the Code of Conduct.³

Summary of Facts

4. Wong was the Chairman and Chief Executive Officer of Lyncean Securities. He was one of its responsible officers between 20 March 2012 and 29 October 2012.
5. Wong introduced the Client to open a securities account at Lyncean Securities on 12 December 2011.
6. In November 2012, the Client lodged a complaint to Lyncean Securities, alleging, among others, that his securities account at Lyncean Securities was mishandled. Lyncean Securities has compensated the Client by reimbursing him 80 per cent of the loss incurred in his securities account.
7. The evidence shows that:
 - (a) The Client gave Wong a certain degree of discretion to conduct trades for him. However, Wong failed to obtain clear understanding of the precise scope of discretion he was given.
 - (b) The Client did not sign any written authorization to authorize Wong or anyone at Lyncean Securities to trade in his securities account on a discretionary basis.
 - (c) There was no record evidencing that the Client had placed any orders in his securities account.
 - (d) The Client's transactions were placed by Wong or another account executive at Lyncean Securities at Wong's instructions. Between 14 September 2012 and 29 October 2012, Wong had placed 27 trade

¹ Wong was licensed under the Securities and Futures Ordinance to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities and was accredited to Lyncean Securities Limited from 3 January 2012 to 29 October 2012.

² Lyncean Securities has changed its name to Brilliant Norton Securities Company Limited since 24 May 2013.

³ Code of Conduct for Persons Licensed by or Registered with the SFC (October 2011 version)

orders whilst the other account executive, based on Wong's instructions, had placed 11 trade orders in the Client's securities account.

Breaches and reasons for action

8. Paragraph 7.1(a) of the Code of Conduct requires a licensed person to obtain a written authorization before it can operate a discretionary account for a client. Paragraph 7.1(c) of the Code of Conduct requires a licensed person to designate such account as discretionary account. Paragraph 7.1(d) of the Code of Conduct requires senior management to approve the opening of a discretionary account.
9. Wong breached paragraph 7.1 of the Code of Conduct as he effected transactions in the Client's securities account on a discretionary basis without obtaining written authorization from the Client.
10. As a licensed representative, Wong had a duty to ensure that the Client signed a written authorization before conducting trades in his securities account on a discretionary basis. Wong should have a clear understanding of the precise scope of authority which the Client gave Wong to trade for him. Wong also had a duty to ensure that the Client's securities account was designated as a discretionary account, and to procure senior management's approval of Wong's operation of the Client's securities account under paragraphs 7.1(c) and (d) of the Code of Conduct.
11. As the management of Lyncean Securities was not aware of the Client's authorization for Wong to manage his account, the Client's securities account was not designated as a discretionary account by the firm and senior management's approval to operate it as such had never been obtained. Accordingly, the operation of the Client's securities account was not properly monitored and supervised by the firm.
12. A written authorization, with clearly defined scope of authority and precise terms and conditions on how the discretion will be exercised, is important because it protects the client from the risk of unauthorized trades and the licensed corporation from unnecessary claims in case the client disputes the trades. In this case, it appears that Wong failed to obtain clear instructions from the Client on the scope of his authority and the extent to which he was allowed to trade for the Client. Wong failed to procure the Client to sign a written authorization setting out the precise terms and conditions on how his securities account would be handled.
13. In determining the sanction, the SFC took into account all relevant circumstances, including Wong's experience in the industry, his otherwise clean disciplinary record at the time of the misconduct and his co-operation with the SFC in resolving the disciplinary action.

Conclusion

14. By failing to obtain written authorization from the Client to operate his securities account on a discretionary basis, the Client's interests were prejudiced as he was deprived of the protection to which he was entitled under paragraph 7.1 of the Code of Conduct.
15. This case clearly demonstrates the risk involved and the prejudice to the client when a licensed person operates a client's securities account on a discretionary basis on vague and ambiguous terms.