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SFC fines Danny Fung Kwong Shing and bans him for life

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The Securities and Futures Commission (SFC) has banned Mr Danny Fung Kwong Shing, a former account executive of Fulbright Securities Limited (Fulbright Securities), from re-entering the industry for life and fined him \$542,071 (Notes 1 & 2).

The disciplinary action follows an SFC investigation which found that between January 2013 and May 2014, Fung had:

- conducted 772 unauthorized transactions in the account of his friend-cum-client, X, at Fulbright Securities;
- fabricated telephone order recordings to mislead Fulbright Securities into believing that the orders for the transactions conducted in X's account were placed by X; and
- impersonated another friend-cum-client, Y, and placed orders in Y's account at Enhanced Securities Limited by telephone.

The investigation also revealed that at least 53 of the above-mentioned unauthorized transactions were conducted by Fung under a premeditated scheme to secure profits for Y, with the result that Y made profits from these transactions at X's expense by selling shares to X at prices higher than the purchase prices.

X suffered a substantial loss of around \$2.6 million as a result of all the unauthorized transactions.

The SFC considers that Fung's conduct was gravely dishonest and that he is not a fit and proper person to be licensed.

End

Notes:

1. The amount of the fine is equivalent to the amount of profit made by Fung for Y and the commission he gained from the unauthorized transactions.
2. Fung was licensed to carry on Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance. He was accredited to Fulbright Securities during the periods from 1 September 2001 to 23 February 2005 and from 30 July 2008 to 6 November 2014. Fung is currently not licensed by the SFC.

[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. Pursuant to section 194 of the Securities and Futures Ordinance (**SFO**), the Securities and Futures Commission (**SFC**) has banned Mr Danny Fung Kwong Shing (**Fung**)¹ from re-entering the industry for life and fined him \$542,071².
2. The SFC found that during the period from January 2013 to May 2014 (**Relevant Period**), Fung had:
 - (a) conducted 772 unauthorized transactions in the account of his client, X, at Fulbright Securities (**X's Fulbright Account**);
 - (b) fabricated telephone order recordings to mislead Fulbright Securities into believing that the orders for the transactions conducted in X's Fulbright Account were placed by X; and
 - (c) impersonated his friend, Y, and placed orders in Y's account at Enhanced Securities Limited (respectively, **Enhanced Securities** and **Y's Enhanced Account**) by telephone.
3. The SFC also found that at least 53 of the above-mentioned unauthorized transactions were conducted by Fung under a premeditated scheme to secure profits for Y, with the result that Y made profits from these transactions at X's expense by selling shares to X at prices higher than the purchase prices.
4. The SFC is of the view that Fung was guilty of misconduct and his fitness and properness to be a licensed person has been called into question.

Summary of Facts

5. Both X and Y were friends of Fung. During the Relevant Period, Fung was also the account executive of X and Y at Fulbright Securities.
6. The SFC's investigation revealed that Fung had devised a premeditated scheme to secure trading profits for Y's Enhanced Account through dishonestly mis-using X's Fulbright Account:
 - (a) as an account executive and a friend of X, Fung knew that X maintained a substantial trading fund in X's Fulbright Account and that he lived in Mainland China;
 - (b) Y and Fung lived together. Fung arranged for Y to open Y's Enhanced Account. The mobile phone number recorded in the

¹ Fung was licensed to carry on Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance. He was accredited to Fulbright Securities Limited (**Fulbright Securities**) during the periods from 1 September 2001 to 23 February 2005 and from 30 July 2008 to 6 November 2014.

² The amount of the fine is equivalent to the amount of profit made by Fung for Y and the commission Fung gained from the unauthorized transactions.

account opening form belonged to Fung, and Fung was able to operate the bank account for settling transactions in Y's Enhanced Account;

- (c) Fung conducted the unauthorized transactions in X's Fulbright Account. In order to conceal the unauthorized transactions, Fung fabricated order recordings to mislead Fulbright Securities into believing that the orders for the unauthorized transactions were placed by X; and
 - (d) Fung placed orders with Y's account executive at Enhanced Securities over the phone by impersonating Y.
7. The SFC found that at least 53 of the unauthorized transactions were conducted by Fung in the following manner in order to facilitate the execution of orders placed by Y's Enhanced Account and ensuring that Y profited from the transactions, often to the detriment of X (**53 Transactions**):
- Step 1 : Enhanced Securities bought shares from the market on behalf of Y.
 - Step 2 : Enhanced Securities placed an ask order on behalf of Y to sell the same shares at prices a few spreads above Y's purchase prices.
 - Step 3 : Shortly after Y's ask order, Fulbright Securities placed a bid order for X to buy the same shares (in the same or a larger quantity) from the market at Y's asking prices.
 - Step 4 : The two orders described in Step 2 and Step 3 matched with each other and effected a transaction.

As a result, Y sold his shares to X at prices higher than his purchase prices and made profits, at X's expense.

8. In 9 out of the 53 Transactions, Y actually bought the shares from X via the market (i.e. Step 1) and then sold the whole or part of the shares back to X via the market at higher prices (i.e. Steps 2 to 4).

Breaches and reasons for action

- 9. General Principle 1 (honesty and fairness) of the Code of Conduct³ requires a licensed person to act honestly, fairly and in the best interests of its clients and market integrity in conducting business activities.
- 10. The evidence suggests that Fung has abused the trust and confidence placed in him by his client and employer by:
 - (a) conducting unauthorized transactions in X's Fulbright Account;
 - (b) fabricating telephone order recordings to deceive Fulbright Securities;

³ Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.

- (c) impersonating Y in placing orders in Y's Enhanced Account; and
- (d) making profit for Y's Enhanced Account at X's expense.

Conclusion

11. The SFC is of the view that Fung was guilty of misconduct and is not a fit and proper person to be licensed. Fung's conduct also called into question his reliability and ability to carry out regulated activities honestly.
12. In reaching the decision to take the disciplinary action set out in paragraph 1 against Fung, the SFC has taken into account all relevant considerations, particularly:
 - (a) Fung's conduct was deliberate and gravely dishonest – the execution of the 53 Transactions required conscious planning and systematic deception of X, Fulbright Securities and Y's account executive at Enhanced Securities;
 - (b) a strong deterrent message must be sent to the market that such conduct which damages market integrity and undermines investor confidence will not be tolerated, and that perpetrators will face the most serious sanctions;
 - (c) Fung breached the trust and confidence placed in him by his clients and employer;
 - (d) X suffered substantial loss of around \$2.6 million; and
 - (e) Fung's otherwise clean disciplinary record with the SFC.