

SFC bans Song Peng for 10 months

12 Jul 2019

The Securities and Futures Commission (SFC) has banned Mr Song Peng, a former account executive of Phillip Securities (Hong Kong) Limited (Phillip Securities), from re-entering the industry for 10 months from 12 July 2019 to 11 May 2020 for breach of the SFC's Code of Conduct (Notes 1 to 3).

The SFC found that Song effected transactions in a client's securities account and margin account between April 2015 and May 2016 on a discretionary basis without obtaining the client's prior written authorization, nor with the knowledge and approval of his then employer.

Although the client had verbally authorized Song to trade in the accounts on a discretionary basis, the absence of a written authorization prevented Phillip Securities from monitoring and supervising the operation of the accounts, and deprived the client from protection against the risk of unauthorized trades carried out in his accounts.

In deciding the penalty, the SFC took into account all relevant circumstances, including the duration of Song's misconduct and his otherwise clean disciplinary record.

End

Notes:

1. Song was licensed under the Securities and Futures Ordinance to carry on Type 1 (dealing in securities) regulated activity and accredited to Phillip Securities (Hong Kong) Limited from 4 February 2015 to 15 November 2016. Song is currently not licensed by the SFC.
2. General Principle 2 of the Code of Conduct for Persons Licensed by or Registered with the SFC (Code of Conduct) provides that a licensed person should act with due skill, care and diligence, in the best interests of its clients and the integrity of the market in conducting its business activities.
3. Paragraph 7.1(a)(ii) of the Code of Conduct requires a licensed person to obtain a written authorization from a client before effecting transactions for a client without the client's specific authorization. Paragraph 7.1(c) of the Code of Conduct requires a licensed person who has received an authority described under paragraph 7.1(a)(ii) to designate such accounts as "discretionary accounts". Paragraph 7.1(d) of the Code of Conduct requires the senior management to approve the opening of discretionary accounts.

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

Page last updated : 12 Jul 2019

STATEMENT OF DISCIPLINARY ACTION

The Disciplinary Action

1. The Securities and Futures Commission (**SFC**) has prohibited Mr Song Peng (**Song**), a former account executive of Phillip Securities (Hong Kong) Limited (**Phillip Securities**), from re-entering the industry for a period of 10 months pursuant to section 194 of the Securities and Futures Ordinance (**SFO**).
2. The SFC found that Song effected transactions in a client's securities account and margin account between April 2015 and May 2016 on a discretionary basis without obtaining the client's prior written authorization, nor with the knowledge and approval of his then employer.
3. Song's conduct was in breach of General Principle 2 (Diligence) and paragraph 7.1 (Authorization and operation of a discretionary account) of the Code of Conduct for Persons Licensed by and Registered with the SFC (**Code of Conduct**).

Summary of Facts

4. Song was an account executive accredited to Phillip Securities between February 2015 and November 2016.
5. On 3 March 2015, Song introduced a client (**Client**) to open a securities account and a margin account at Phillip Securities (**Accounts**). Song was the responsible account executive for the Accounts. The Client gave Song his login name and password for him to conduct discretionary trades in the Accounts through Phillip Securities' online trading system.
6. On 18 October 2016, Phillip Securities reported to the SFC, among other things, that Song had failed to obtain the Client's written authorization and the approval of Phillip Securities' management before conducting discretionary trades in the Accounts.
7. Song admitted he conducted discretionary trades in the Accounts between April 2015 and May 2016 using the Client's login name and password and that his discretionary trades caused losses in the Accounts. Song also admitted that he did not obtain a prior written authorization from the Client to permit him to operate the Accounts on a discretionary basis.
8. As a licensed representative, Song had a duty to ensure the Client's written authorization has been obtained before conducting trades on a discretionary basis under paragraph 7.1(a) of the Code of Conduct. A written authorization, with a 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.
9. Song also had a duty to ensure that the relevant accounts were designated as discretionary accounts, and to obtain senior management's approval of his operation of the Accounts under paragraph 7.1(c) and (d) of the Code of Conduct.

10. Although the Client had verbally authorized Song to trade in the Accounts on a discretionary basis, the absence of a written authorization prevented Phillip Securities from monitoring and supervising the operation of the Accounts.
11. By failing to obtain a written authorization from the Client before conducting discretionary trades in the Accounts, Song had breached paragraph 7.1 (Authorization and operation of a discretionary account) of the Code of Conduct. Song's conduct also fell short of General Principle 2 (Diligence) of the Code of Conduct, which requires a licensed person to act with due skill, care and diligence, in the best interest of its clients and the integrity of the market in conducting its business activities.

Conclusion

12. The SFC's view is that Song's conduct has breached General Principle 2 (Diligence) and paragraph 7.1 (Authorization and operation of a discretionary account) of the Code of Conduct. The SFC has therefore decided to take the disciplinary action set out in paragraph 1 above against Song.
13. In determining the disciplinary sanction, the SFC took into account all relevant circumstances, including the duration of Song's misconduct and his otherwise clean disciplinary record.