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## SFC bans Kwok Chau Mo for nine months

28 May 2020

The Securities and Futures Commission (SFC) has banned Mr Kwok Chau Mo, a former fund manager of Guosen Securities (HK) Asset Management Company Limited (GSHKAM), for nine months from 28 May 2020 to 27 February 2021 (Note 1).

The disciplinary action follows an SFC investigation which found that Kwok breached the trading policies of GSHKAM when he was an employee of the firm between 10 April 2012 and 23 May 2017 by concealing from his employer his beneficial interests in and/or direct control or influence over two securities trading accounts held by a friend and an acquaintance at an external brokerage firm, and his trading activities in them.

The SFC considers that Kwok's conduct in circumventing the internal control policies of GSHKAM was dishonest and deliberate, calling into question his fitness and properness to be a licensed person.

In deciding the sanction against Kwok, the SFC took into account all relevant circumstances, including his remorsefulness and admission of wrongdoing, and his otherwise clean disciplinary record.

End

Note:

1. Kwok was licensed as a representative to carry on Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance, and was accredited to GSHKAM between 10 April 2012 and 23 May 2017. Kwok 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

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### The Disciplinary Action

1. The Securities and Futures Commission (**SFC**) has prohibited Mr Kwok Chau Mo (**Kwok**)<sup>1</sup> from re-entering the industry for nine months pursuant to section 194 of the Securities and Futures Ordinance.
2. The SFC's investigation found that Kwok breached the trading policies of Guosen Securities (HK) Asset Management Company Limited (**GSHKAM**) when he was an employee from 2012 to 2017 by concealing from his employer his beneficial interests in and/or direct control or influence over two securities trading accounts held by a friend and an acquaintance at an external brokerage firm, and his trading activities in them.

### Summary of Facts

3. Kwok was a fund manager of GSHKAM during the relevant period. As an employee of GSHKAM, Kwok was required to comply with its trading policies (**Trading Policies**), which were applicable to employees' personal securities trading accounts and accounts in which the employees held beneficial interests and/or over which the employees had direct or indirect control or influence, and the trading activities in those accounts.
4. At the material time, the Trading Policies required employees to seek prior approval from line managers and/or Legal and Compliance Department (**LCD**) before conducting personal trades. Employees were also required to seek prior approval from line managers and the LCD before opening any securities trading accounts at external brokerage firms (**External Accounts**), and declare annually any External Accounts and the securities positions held in those accounts. In addition, employees holding External Accounts had to provide copies of the contract notes/trade confirmations and monthly statements of the External Accounts to LCD for trading activities monitoring purposes.
5. The SFC's investigation found Kwok conducted trades through the securities trading accounts held by a friend (**A**) and an acquaintance (**B**) at an external brokerage firm during his employment with GSHKAM without making the required disclosures and obtaining the necessary approvals in breach of the Trading Policies.
6. Kwok admitted that he conducted personal trades through A's account out of convenience because otherwise he would need to inform GSHKAM if he was to trade in shares in his own account. **The evidence shows that between 22 October 2012 and 30 May 2014, the total transaction amount in A's account was around HK\$28 million. A confirmed that Kwok operated his account and held the beneficial interests in all the shares and funds in the account.**

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<sup>1</sup> Kwok was licensed as a representative to carry on Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance, and was accredited to GSHKAM between 10 April 2012 and 23 May 2017. Kwok is currently not licensed by the SFC.

7. Kwok also admitted that he conducted securities trading through B's account for another friend (X) on a friendly basis without any personal gain. According to Kwok, X funded this account and Kwok made investment decisions for most of the trades conducted for X in this account. The latter suggests that Kwok had direct control and influence over B's account and its trading activities. The evidence shows between 22 January 2013 and 29 May 2015, the total transaction amount in this account was around HK\$43 million.

## Conclusion

8. The Trading Policies reflect the regulatory requirements under paragraph 12.2 of the Code of Conduct for Persons Licensed by or Registered with the SFC, which requires licensed corporations to implement procedures and policies on employee trading and to actively monitor the trading activities in their employees' accounts and their related accounts.
9. Kwok's conduct in circumventing the Trading Policies and concealing from his former employers of his: (a) beneficial interests and personal trading activities in A's account; and (b) control and influence over and the trading activities in B's account was dishonest and deliberate, and prevented GSHKAM from monitoring his trading activities.
10. In light of the foregoing, the SFC is of the view that Kwok is not a fit and proper person to be licensed and his conduct casts doubt on his character and reliability, and his ability to carry on regulated activities honestly.
11. Having considered all the circumstances, the SFC has decided that a prohibition of nine months is appropriate and commensurate with the SFC's view on the gravity of Kwok's conduct. In deciding the sanction, the SFC has taken into account all relevant circumstances, including Kwok's remorsefulness and admission of wrongdoing, and his otherwise clean disciplinary record.