

SFC Suspends Registrations of Sky Ward Asia Limited, Masami Genda, and Hideo Kikuchi

18 Dec 1997

The Securities and Futures Commission (SFC) today announced that it had taken disciplinary action against Sky Ward Asia Limited (SWAL) for its failure to comply with the requirements of the Securities Ordinance and the SFC's Code of Conduct. The SFC also has taken disciplinary action against SWAL's two dealing directors, Mr Masami Genda (Genda) and Mr Hideo Kikuchi (Kikuchi), for their failure to properly supervise the business of SWAL.

The disciplinary actions resulted from an inspection by the SFC into the operations of SWAL's securities business in which it was found that SWAL failed to keep proper books and records to reflect its business transactions and to keep its client's monies in designated trust accounts. SWAL also breached the liquid capital requirement of the Financial Resources Rules, and traded in commodity futures contracts without being registered as a dealer under the Commodities Trading Ordinance.

As dealing directors of SWAL, Genda and Kikuchi are personally responsible for SWAL's securities dealing business, including the responsibility for maintaining an effective organisational structure and operating systems, and compliance with relevant ordinances, rules and regulations. The SFC found that both Genda and Kikuchi failed to play an active role in supervising SWAL's business which consequently led to various breaches of legal and regulatory requirements.

In view of the findings, the SFC has suspended the dealer registrations of SWAL, Genda and Kikuchi for a period of not less than one month effective 18 December 1997. The suspension will continue until SWAL can demonstrate to the satisfaction of the SFC that it has rectified all its breaches and has the capabilities and internal controls to perform its functions as a securities dealer effectively and efficiently.

Genda and Kikuchi are also substantial shareholders, registered investment advisers and commodity trading advisers of Sky Ward Capital Markets Limited (SWCM), which is an investment adviser and commodity trading adviser. As a result of the SFC's findings regarding Genda's and Kikuchi's conduct as securities dealers, their registrations as investment advisers and commodity trading advisers have also been suspended.

In deciding on these disciplinary actions, the SFC has taken into account that:

1. SWAL has suspended its business since 20 August 1997 as required by a restriction order issued by the SFC;
2. SWAL has appointed independent auditors to investigate the problems identified immediately after the restriction order was imposed by the SFC;
3. SWAL and SWCM have undertaken to employ a qualified person with suitable experience and authority, who is acceptable to the SFC and resides in Hong Kong, to actively participate in the supervision of the respective businesses of the two companies;
4. SWAL and SWCM have undertaken to appoint a firm of accountants to conduct a review of SWAL's and SWCM's operating systems and procedures and report their findings to the SFC;
5. SWAL and SWCM have undertaken to appoint qualified professional staff to keep proper books and records; and
6. SWAL, SWCM, Genda and Kikuchi have cooperated with the SFC during its investigation.

The SFC has also today withdrawn the restriction notice imposed on SWAL.

