

# Joint Press Release by Securities and Futures Commission and the Stock Exchange of Hong Kong Limited Action against Prudential-Bache Securities (Hong Kong) Limited, Mr Liu Luk Por, Lucky Company and its dealer's representatives

12 Sep 1999

1. The Securities and Futures Commission ("SFC") and The Stock Exchange of Hong Kong Limited (the "Exchange") jointly announce today that they have taken action against Prudential-Bache Securities (Hong Kong) Limited ("Prudential") and its Managing Director, Mr Liu Luk Por ("Mr Liu"). Both Prudential and Mr Liu are registered securities dealers under the Securities Ordinance.

The action stems from an investigation by the SFC in which the SFC found that during the period from 15th December 1997 to 3rd July 1998, a former dealer's representative of Prudential, who was subsequently dismissed, had engaged in extensive short selling via a personal account he maintained with Prudential. The SFC investigation revealed that Prudential had inadequate internal controls and failed to implement an appropriate system for deterring and detecting intra day short selling by its staff. The SFC therefore decided to publicly reprimand Prudential and Mr Liu.

The Disciplinary Committee of the Exchange (the "Disciplinary Committee") has also decided to publicly censure Prudential and Mr Liu and fine Prudential HK\$30,000 and Mr Liu HK\$20,000.

In deciding on this course of action the SFC and the Disciplinary Committee took into account that:

- there is no evidence that clients of Prudential or the general public were affected or disadvantaged;
- the short sales in question involved relatively small amounts and were all on the former dealer's representative's personal account;
- Prudential and Mr Liu had fully co-operated with and assisted in the SFC's enquiry;
- this is the first such regulatory action taken against each of Prudential and Mr Liu;
- Prudential and Mr Liu have taken steps to enhance their internal control and supervisory procedures; and
- Prudential has significantly enhanced its written compliance policies and monitoring procedures, including those covering staff dealing.

2. The SFC and the Exchange jointly announce today that they have taken action against Mr Ho Sau Lok ("Mr Ho") trading as Lucky Company, a Securities Dealer and a Member of the Exchange, and against Mr Kwan Kai Ming ("Mr Kwan") and Mr Chung Siu Keung, David ("Mr Chung"), both dealer's representatives of Lucky Company and registered persons of the Exchange.

The action stemmed from an inquiry covering the period January 1997 to March 1997 in which it was found that:

- employees and clients of Lucky Company had engaged in illegal short selling activities;
- use of nominee accounts by some employees to engage in their own trading;
- client priority was not observed as employees' own dealing were not the subject of scrutinised approval by management; and
- inadequate audit trails to detect and deter trading malpractices thereby exposing its clients and itself to unnecessary risks and potentially damaging the integrity of the securities markets of Hong Kong.

The management of Lucky Company was responsible for the deficiencies identified above in that they failed to properly supervise employees and failed to develop and implement proper

internal control procedures in Lucky Company to protect its operations, its clients and the integrity of the market.

Mr Ho had delegated most of the day to day operation of the business to staff of Lucky Company but had failed to ensure that such staff carried out their responsibilities properly. As the sole proprietor of Lucky Company, Mr Ho bears ultimate responsibilities for the above failings.

Mr Kwan, a dealer's representative of Lucky Company, had used a nominee account to conduct his own trading. He also failed to monitor the account of a client to ensure that the client did not short sell.

Mr Chung, a dealer's representative of Lucky Company, had used a nominee account to conduct his own trading. He had conducted internal manual cross trades between his nominee account and the accounts of other clients of Lucky Company without first disclosing his interest in the transactions to those clients in breach of Clause 10 of Code of Conduct for persons registered with the SFC. There is, however, no evidence that any client was disadvantaged.

As a result of the above findings, Mr Ho has agreed to take the following remedial actions:

- Mr Ho has now arranged for a company to be incorporated to take over the securities dealing business of Lucky Company;
- Mr Ho will appoint an independent Dealing Director for the incorporated company; and
- Mr Ho has taken remedial actions to remedy the failings identified in the SFC's and Exchange's investigation. He has also engaged an independent firm of accountants to perform a review of the systems and internal control procedures of his business and to report the findings to the Exchange and SFC. He has agreed to implement any recommendations made in the accountants' report to the satisfaction of the Exchange and SFC.

The SFC's decision to publicly reprimand Mr Ho took into account that Mr Ho has agreed to take and implement the above remedial actions. The SFC also decided that Mr Kwan's and Mr Chung's conduct warranted a public reprimand. In addition, the Disciplinary Committee has decided to publicly censure Mr Ho, Mr Kwan and Mr Chung and fine Mr Ho HK\$50,000, Mr Kwan HK\$4,000 and Mr Chung HK\$6,000. The Disciplinary Committee also resolved to revoke Mr Chung's and Mr Kwan's registration with the Exchange should they be found guilty of any misconduct within the next 24 months.

# 證券及期貨事務監察委員會及香港聯合交易所聯合新聞稿證監會及聯交所對美國培基証券有限公司、廖淥波先生、樂基証券公司及其交易商代表採取聯合紀律行動

1999年9月12日

1. 證券及期貨事務監察委員會（證監會）及香港聯合交易所（聯交所）今天聯合公布，已對美國培基証券有限公司（美國培基）及其董事總經理廖淥波先生（廖氏）採取紀律行動。美國培基及廖氏均根據《證券條例》註冊為證券交易商。

此項行動源自證監會的調查，該調查發現於1997年12月15日至1998年7月3日期間，美國培基一名隨後已遭解僱的前交易商代表曾透過其在美國培基開設的個人戶口從事大規模的賣空活動。證監會的調查顯示美國培基未有適當的內部控制及未有實施一個適當的系統以遏止及偵查其僱員的即日賣空活動。證監會因此決定公開譴責美國培基及廖氏。

聯交所紀律委員會（紀律委員會）亦決定公開譴責美國培基及廖氏，及罰美國培基港幣30,000元及廖氏港幣20,000元。

證監會及紀律委員會在決定採取紀律行動時，曾考慮到：

- 未有證據顯示美國培基的客戶或投資大眾受到影響或損害；
- 有關的賣空所涉及的金額頗少，及全部在該前交易商代表的戶口進行；
- 美國培基及廖氏對證監會的調查提供充份合作及協助；
- 這是首次對美國培基及廖氏採取紀律行動；
- 美國培基及廖氏已採取行動加強其內部控制及監管程序；及
- 美國培基已顯著加強其書面監察政策及監控程序，包括職員買賣方面。

2. 證監會及聯交所今天聯合公布，已對經營樂基証券公司的證券交易商及聯交所會員何壽樂先生（何氏），及樂基的交易商代表及聯交所註冊人士關繼明先生（關氏）及鍾兆強先生（鍾氏）採取紀律行動。

此項行動源自一項包括1997年1月至1997年3月期間的調查，該調查發現：

- 樂基証券公司的僱員及客戶曾進行非法賣空活動；
- 部份僱員利用代名人戶口進行自己的買賣；
- 未有遵守以客為先的守則，原因是僱員的買賣毋須管理階層的審批；及
- 未有足夠的稽核程序以偵察及遏止不當交易，因而令到其客戶及公司本身承受不必要的風險及可能損害香港證券市場的穩定。

樂基証券公司的管理階層須對上述的缺失負責，因他們未有適當監管其僱員，及未有在樂基証券公司發展及實施適當的內部監控程序以保障其運作、其客戶及市場的穩定。何氏將業務的大部份日常運作授予樂基証券公司的職員，但未有確保該等職員適當地履行其責任。作為樂基証券公司的獨資經營者，何氏須對上述缺失負上最終責任。

樂基証券公司的交易商代表關氏利用一個代名人戶口進行自己的買賣。他亦未有監察一名客戶的戶口，以確保該名客戶不會賣空。

樂基証券公司的交易商代表鍾氏利用一個代名人戶口進行自己

的買賣。他在未有向客戶披露其利益前，在自己的代名人戶口及該等客戶的戶口之間進行人手交叉盤買賣，違反《證監會註冊人士操守準則》第10節，但未有證據顯示任何客戶曾受損害。

由於上述的發現，何氏同意採取下述補救行動：

- 何氏現已安排成立一間有限公司，以繼承樂基的證券買賣業務；
- 何氏已承諾為該有限公司委任一名獨立的證券商董事；及
- 何氏已採取補救行動，補救證監會及聯交所在調查時所發現的缺失。他亦已委任一所獨立的會計師事務所檢討其證券公司的系統及內部監控程序及將檢討結果向聯交所及證監會報告。他亦已同意實施有關會計師報告所提出的任何建議，以達致聯交所及證監會滿意的水平。

證監會公開譴責何氏的決定是考慮到何氏已同意採取及實施上述補救行動。證監會亦決定公開譴責關氏及鍾氏的行為。同時，紀律委員會亦決定公開譴責何氏、關氏及鍾氏，並罰何氏港幣50,000元、關氏港幣4,000元及鍾氏港幣6,000元。紀律委員會亦議決倘鍾氏及關氏在24個月內再被裁定行為不當，將撤銷他們在聯交所的註冊。

最後更新日期：2012年8月1日