

Enforcement Actions

27 March 2002

SFC Suspends the Registrations and Licence of Mr Chan Sheung Chi, Steven

The Securities and Futures Appeals Panel (Appeals Panel) last week upheld a decision of the Securities and Futures Commission (SFC) to suspend the registrations and licence of an SFC registrant for two years for misconduct in relation to the Code on Takeovers and Mergers (Code).

Upon the determination of the appeal, the SFC announces today that it has suspended the registrations and licence of Mr Chan Sheung Chi, Steven (Chan), a registered securities dealer and investment adviser, commodity dealer and trading adviser, and licensed leveraged foreign exchange trader's representative, for a period of two years under section 56(2) of the Securities Ordinance, section 36(2) of the Commodities Trading Ordinance, and section 12(4) of the Leveraged Foreign Exchange Trading Ordinance.

On 24 June 1999, the Takeovers and Mergers Panel (Takeovers Panel) released its decision¹ in the matter relating to Kong Tai International Holdings Company Limited (Kong Tai). The Takeovers Panel, amongst other things, was particularly critical of Chan's conduct having regard to his status as a registered person and the dealing director and managing director of a brokerage firm. Chan was publicly censured by the Takeovers Panel for his failure to comply with General Principle 10 of the Code².

The findings and comments against Chan made by the Takeovers Panel are very serious. They point to Chan who:

- acted in concert with another person in complete disregard of the Code;
- would, together with that person, have breached Rule 26.1 of the Code but for the breach one day earlier by that person acting in concert with a third party (of which Chan was unaware);
- ultimately caused loss to Kong Tai's shareholders as a result of his actions;
- failed to act in accordance with the standards of conduct that might reasonably be expected of a registered and licensed person;
- gave less than frank disclosure to the Takeovers Panel of the agreements or understandings that existed between himself and that person; and
- knowingly and deliberately failed to comply with General Principle 10 of the Code.

As a result of the decision of the Takeovers Panel, the SFC initiated its own inquiries into the conduct of Chan under relevant Ordinances. At the end of its inquiries, the SFC concluded that the seriousness of those findings had called into question Chan's fitness and properness to remain registered. As an experienced registrant and licensee, Chan's conduct during the course of the Kong Tai matter clearly fell far short of that expected of him. Accordingly, the SFC decided to suspend Chan's registrations and licence for a period of two years.

Chan was dissatisfied with and appealed the SFC's decision. In a decision released on 22 March 2002, the Appeals Panel dismissed Chan's appeal and upheld the SFC's decision.

An SFC spokesman said: "Any registrant who knowingly or negligently assists other persons in breaching the codes or guidelines issued by the SFC or other applicable laws would cast serious doubts on whether he is fit and proper to remain registered. The SFC considers such matters important in maintaining a fair and orderly market and in protecting investors' interests, and will not hesitate to take disciplinary actions against the registrant accordingly."

Note to editors:

1. The Takeovers Panel decision released on 24 June 1999 is available on the SFC website (www.hksfc.org.hk) under the section "Takeovers and Mergers".
2. General Principle 10 of the Takeovers Code at that time stated that "All parties concerned with takeovers and mergers are required to co-operate to the fullest extent with the Executive, the Panel and the Takeovers Appeal Committee, and to provide all relevant information".

Page last updated: 27 March 2002