

Enforcement Actions

22 November 2002

SFC Reprimands South China Securities Limited

The SFC has reprimanded South China Securities Limited, a securities dealer under the Securities Ordinance.

The SFC's action follows an investigation into a number of complaints which were made to the SFC about unregistered dealing at South China by several of its trainees during the period from 1 September 1999 to 31 May 2000. The SFC found that Mr Tam Yui Man, one of South China's registered dealer's representatives, had recruited five trainees for South China who performed the functions of a dealer's representative when they were not registered to do so. Tam was also directly responsible for the supervision of the five trainees. The unregistered activities of these trainees were extensive. The SFC was not satisfied with South China's supervision and monitoring of the activities of Tam and the five trainees.

The SFC also found that South China's then internal controls did not adequately ensure persons employed by South China at all times complied with all legal and relevant regulatory requirements, especially in respect to the registration requirements. The SFC also found that the complaint handling procedures then in place were inadequate because Tam was able to settle client complaints personally without sufficient management supervision.

Consequently, the SFC has decided to publicly reprimand South China. In reaching this decision the SFC took into account that South China had taken on new management and had strengthened its internal controls and complaint handling procedures.

The SFC reminds all brokerages to ensure that none of their staff act as dealer's representatives unless they are registered with the SFC. Brokerages should also ensure that their staff are properly supervised and that proper systems including adequate complaint handling procedures are in place to monitor staff activities.

Ends

Notes to Editor:

1. Tam Yui Man was convicted on 5 October 2001 of aiding and abetting persons to act as dealer's representatives without being registered contrary to section 89 of the Criminal Procedure Ordinance and section 50 of the Securities Ordinance. Disciplinary action was also taken against him by the SFC on 14 March 2002. His registration was suspended for two months. For details, please refer to a press release on the prosecution of Tam Yiu Man issued on 5 October 2001.

2. The five trainees - Ms Lam Yik Mang, Mr Lai Tik Kei, Mr Kwok Wai Leung, Mr Yu Chi Sing and Mr Wong Lai Ho, - were all convicted of acting as a dealer's representative of SCSL whilst not registered with the SFC. For more details, please refer to press releases on their prosecutions issued on 3 July 2001, 25 and 27 September 2001, and 17 October 2001.

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