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SFC Reprimands Chan Kai Wang Kevin for Failing to Understand the Listing Rules and Ineffective Internal Controls

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The SFC has reprimanded Mr Chan Kai Wang Kevin, a dealing director of Goldenway Securities Company Limited registered under the Securities Ordinance.

The reprimand stems from an inquiry between March 2000 and October 2000 during which Goldenway placed three derivative warrants issued by Robert Fleming Equity Derivatives Limited.

Chan was unaware of the Placing Guidelines for Derivative Warrants under Appendix 6A of the Listing Rules then in effect even though, as the relevant Goldenway dealing director, he was responsible for supervising the firm's warrant business. In contravention of the Guidelines, Chan allowed applications by relatives without obtaining the consent from the Stock Exchange. During the SFC's inquiry, it was found that Chan had allowed inadequate segregation of duties within Goldenway. He also failed to ensure that the company had an adequate internal control system and kept a proper audit trail about the timing of clients' warrant trading activities.

Accordingly, the SFC considered Chan's fitness and properness as a registered person had been called into question and decided to reprimand him.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "Placing agents should be aware of the regulations governing derivative warrant issues, in particular those changes made in December 2001 under the new regime (note 1). If engaging in a new line of business, like warrants trading, they must also ensure they have the knowledge and internal controls necessary to comply with all the relevant laws and regulations. Goldenway didn't. We shall continue to monitor such activities so that the derivative warrant market operates in an orderly and fair manner."

Ends

Notes:

1. Following the changes to the regulations concerning derivative warrants issued in December 2001, issuers are no longer required to sell a specified percentage of an issue before it can be listed, nor are they required to have placed it to a minimum number of placees. Issuers are now required to provide liquidity for warrants by appointing a liquidity provider.

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