

## SFC Reprimands Wong Siu Man, Cheung Woon Chuen Sangdy, Chan Pak Lam Tom, and Emperor International Exchange (Hong Kong) Company Limited for Failures Relating to Discretionary Trading in Breach of Licence Condition

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The SFC has reprimanded Emperor International Exchange (Hong Kong) Company Limited, and its representatives, Mr Wong Siu Man, Mr Cheung Woon Chuen, Sangdy and Mr Chan Pak Lam, Tom, under the Securities and Futures Ordinance (Note 1).

The reprimands stem from a complaint lodged with the SFC by a client of Emperor in January 2002. It was found that an account executive had discretionarily traded the complainant's account in breach of her licence condition. The condition prohibited her from providing discretionary account services under the Leveraged Foreign Exchange Trading Ordinance (Note 2).

At the time, Wong was the senior vice president of Emperor who directly supervised the account executive. Wong either failed to take sufficient steps to prevent the discretionary trading activities or failed to adequately supervise his subordinate. In addition, Wong failed to report to his supervisor and inquire into the client complaint when he received it.

It was also found that Emperor had failed: (1) to put in place adequate internal controls for preventing and detecting discretionary trading without a proper licence; (2) to put in place adequate client complaint handling procedures; (3) to diligently investigate into client complaints; and (4) to supervise its employees adequately. Cheung and Chan were directors of Emperor who were responsible for the failures.

Accordingly, the SFC concludes that the fitness and properness of Wong, Cheung, Chan and Emperor has been called into question and decides to reprimand them.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "Conditions on SFC licences are important, especially conditions not to provide any discretionary account services. These conditions are imposed for the clients' protection. Clients are advised not to give their account passwords to licensees. If clients want to open a discretionary account, they should negotiate with the company's management, not junior traders who may not have the management's authorisation. Clients who ignore this put their own money at risk. In addition, adequate staff supervision is essential to ensure the proper functioning of a licensed corporation to minimise the risk to clients as well as maintaining market integrity."

Ends

Notes:

1. Emperor is a deemed licensed corporation carrying out Type 3 regulated activities: Leveraged Foreign Exchange Trading. Wong is a deemed licensed representative accredited to Emperor and Chan and Cheung are deemed responsible officers of Emperor.
2. This ordinance was among 10 ordinances replaced by the Securities and Futures Ordinance, which became effective on 1 April 2003.