

SFC Reprimands Luk Kwok On for Improperly Applying for Excess Rights Issue Shares via his Relative's Account

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The SFC has reprimanded Mr Luk Kwok On, a licensed representative of Stockwell Securities Limited.

The reprimand stems from an investigation in which the SFC found that Luk, together with another Stockwell staff member (Note 1), applied for excess rights issue shares in a rights issue of the shares of Digital World Holdings Limited via a client's account. The client is the sister-in-law of Luk and she consented to applying for the excess rights issue shares for them. However, Luk failed to properly record this arrangement with Stockwell. This had the potential for concealing trades from Stockwell and blurred the audit trails for these transactions.

Luk's failing calls into question his fitness and properness. The SFC therefore decides to reprimand Luk.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "In the first place, it is never an acceptable practice for a licensee to conduct any securities dealing in a client's account. If the company permits their staff to deal in securities, they should conduct trades in their own account so that the company can easily identify their dealings and properly monitor that trading accordingly. In Luk's case, even though the client is the relative of Luk, and she consented to the arrangement, Luk, as a licensed person, still owes a duty, to properly record the arrangement, not only to protect the interests of the client concerned, but also to ensure that the brokerage has a clear audit trail for the transaction. A client's consent and/or a close relationship with the client does not alter this duty."
Ends

Notes to Editor:

1. A disciplinary inquiry against that Stockwell staff member is in progress. By law, the SFC cannot comment on that inquiry at this stage.