

## SFC Reprimands Hantec International Finance Group Limited (formerly known as HT Securities Limited) for Poor Internal Controls and Account Executive Supervision

14 Sep 2004

The SFC has reprimanded Hantec International Finance Group Limited (Note 1).

The reprimand stems from an inquiry following a number of client complaints made to the SFC between October 2000 and February 2003 and the SFC's investigation into the misconduct of a Hantec account executive. As a result of its investigation into those incidents, the SFC has taken separate disciplinary actions against certain licensed representatives of Hantec, resulting in sanctions ranging from reprimands to suspensions (Note 2).

The inquiry found that Hantec had failed to:

- supervise its account executives adequately;
- ensure that its account executives were accredited to Hantec;
- ensure persons it employed were fit and proper;
- ensure its account executives acted in accordance with its guidelines and policies;
- put in place internal controls to detect and prevent improper conduct of account executives; and
- adequately investigate suspected misconduct of its account executives.

As a result, the SFC concludes that the fitness and properness of Hantec has been called into question.

In determining the appropriate penalty, the SFC noted that Hantec started to review its central telephone recordings on a monthly basis. In addition, Hantec is revising its policy for setting the trading limit and credit limit for each client, so that the limits reflect the client's financial position, and investment objective and strategy.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "A brokerage and its directors must closely supervise and monitor the conduct of its account executives. While directors are entitled to delegate particular functions to others and to trust their competence and integrity to a reasonable extent, the exercise of the power of delegation does not absolve a director from the duty to supervise the discharge of delegated functions. Weak internal controls may not only facilitate employees' misconduct and prejudice clients' interests, but also put the broker itself at risk. We will not tolerate firms with poor internal controls and lax supervision. If this case were to be dealt with under the new regulatory regime, we would have considered imposing a fine and other new sanctions."

Ends

Notes to Editor:

1. Hantec International Finance Group Limited is a corporation licensed to carry on business in Type 1, Type 4, Type 6, Type 7 and Type 9 regulated activities under the Securities and Futures Ordinance.
2. Please refer to press releases issued on 27 May 2002 ([Mr Tse Hon Pan](#) and [Mr Ng Kwun Wing](#)), 29 May 2002 ([Mr Ho Chi Man](#)), 5 May 2003 ([Ms Kwan Wai Fong](#)) and 2 October 2003 ([Mr Li Hon Kay](#)).