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SFC Reprimands and Fines Chan Yu Man for Short Selling

7 Sep 2005

The SFC has reprimanded Mr Chan Yu Man, a licensed representative of Ewarton Securities Limited, and fined him \$30,000 for short selling (Note 1).

Between April and September 2003, Chan conducted 31 short sales through his mother's account maintained at Ewarton. Of these transactions, 29 were intra-day short sales and two resulted in buy backs by HKEx.

Chan repeatedly failed to observe Ewarton's internal policy to check that an account had sufficient stock before executing a sell order. Chan was aware that he was selling short. However, he continued to execute personal sell orders through his mother's account without first checking the stock balance of the account.

In deciding the level of fine, the SFC considered the Disciplinary Fining Guidelines (Note 2) and all the circumstances of the case including the fact that:

- no investors or other market users appeared to have been adversely affected by Chan's short selling activities; and
- Chan's clean disciplinary record.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "Licensed representatives must comply with their firms' internal controls and systems. These internal controls and systems are there for the purpose of protecting the firm, its staff and its clients. Licensed representatives must always check that an account has sufficient stock before executing any sell orders."

Ends

Notes:

1. Chan is a representative licensed to carry on Type 1 (dealing in securities) regulated activity.
2. The Disciplinary Fining Guidelines were issued by the SFC in March 2003 under section 199(1)(a) of the Securities and Futures Ordinance.

Page last updated : 1 Aug 2012