
Enforcement Actions

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1 June 2006

SFC Reprimands Ever-Long Securities Company Limited for Inadequate Internal Controls and Staff Supervision

The SFC has reprimanded Ever-Long Securities Company Limited for inadequate internal controls and staff supervision (Note 1).

The sanction stems from an inquiry in which the SFC found that from June 1999 to November 2002, Ever-Long Securities had:

- failed to adequately supervise its employee Mr Tam Cheuk Hong, a then licensed representative (Note 2) or put in place adequate internal control procedures to ensure that he followed Ever-Long Securities' internal policy and the applicable rules and regulations;
- failed to enquire into the financial standing of the clients;
- failed to be satisfied on reasonable grounds about the identity of the ultimate beneficiaries of the relevant subscriptions for the shares of Sen Hong Resources Holdings Limited;
- failed to safeguard clients' assets; and
- failed to keep proper records to properly account for clients' assets in the handling of clients' transactions and assets although no loss had been suffered by any of such clients in this incident.

In view of the above, Ever-Long Securities has breached the Code of Conduct and the Money Laundering Guidance Notes (Note 3). The SFC concludes that Ever-Long Securities has been guilty of misconduct and that its fitness and properness has been called into question.

Mr Eugène Goyne, an SFC Senior Director of Enforcement, said: "Ignoring the 'know your client' principle is an unacceptable practice. Brokers should also have effective internal control procedures and adequate resources to supervise their staff

diligently in order to protect their operation and clients from financial loss arising from dishonest acts or other improper conduct. We will take appropriate action whenever we discover brokers with poor controls.”

Ends

Notes to Editor:

1. Ever-Long Securities is licensed under the Securities and Futures Ordinance to carry on business in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities.

2. As Tam left the industry in 2003, the SFC has no jurisdiction to discipline him. If he re-applies for a licence, he must answer the concerns of the SFC regarding his fitness and properness.

3. The relevant versions of the Code of Conduct for Persons Registered with the Securities and Futures Commission came into effect in November 1998 and November 1999. The Money Laundering Guidance Notes came into effect in July 1997.

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