

## SFC Reprimands and Fines Wong Ka Wai

3 Apr 2007

The SFC has issued a reprimand to Mr Wong Ka Wai and fined him \$30,000 (Note 1).

The disciplinary action follows an SFC investigation into the complaint lodged by Wong's clients who invested in viatical settlements as a result of his recommendation (Note 2).

The SFC found that Wong, whilst acting as the financial consultant of Convoy Financial Services Limited, failed to

- be conversant with the risks associated with the investment product as required by Convoy;
- adequately explain to the complaining clients all the material downside risks associated with the investment product; and
- sufficiently ensure the suitability of the investment product before giving his investment advice to clients.

Mr Mark Steward, SFC's Executive Director of Enforcement, said: "Viaticals are exotic products unlikely to be suitable for most investors. Wong was incompetent in giving investment advice to clients. Licence holders should beware that failure to advise clients of all the material risks of any investment product, will result in suspension or fine, regardless of how the product is labelled."

"This decision reflects both the need to protect the investing public, and the need to discourage Wong and others from repeating the misconduct. In this case, the SFC decided to impose a fine because there was evidence Wong did not use his SFC licence to conduct the bulk of his business, and so suspension or revocation of the licence was insufficient to discourage Wong from repeating the misconduct," he added.

Ends

Notes:

1. Wong is a licensed representative to carry on Type 4 (advising on securities) regulated activity under the Securities and Futures Ordinance and accredited to Convoy Asset Management Limited. Wong is also a financial consultant of Convoy Financial Services Limited which is not licensed with the SFC.
2. A viatical settlement is a contractual arrangement under which the holder of a life insurance policy sells the rights to the death benefit under the policy to a viatical provider. The viatical provider in turn sells the death benefit from the discounted life insurance policy to investors as an investment opportunity. Generally, the viatical provider will provide a fixed return depending on the term of contract. However, the investor will not receive the death benefit until the death of the insured. Viatical settlement arrangements may be complex and investing in it could be risky.