
Enforcement News

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27 April 2007

SFC Suspends Leung Wing

The SFC has suspended Ms Leung Wing for nine weeks from 26 April to 27 June 2007 following the decision of the Securities and Futures Appeals Tribunal (SFAT) (Note 1).

The SFC found that Leung, while acting as a representative of Tanrich Futures Limited, had:

- (i) made unsolicited calls to induce prospective clients to enter into agreements to trade in futures contracts (Note 2);
- (ii) failed to properly disclose to Tanrich her husband's and in-laws' accounts opened with the firm (Note 3); and
- (iii) failed to exercise due care, skill and diligence in the performance of her duties as a licensed representative.

The SFAT reviewed one further finding made by the SFC on an application by Leung which was overturned by the SFAT. This led to the SFAT ordering that the suspension period be varied from four months and one week to nine weeks.

The finding overturned by the SFAT concerned allegations that Leung failed to give reasonable investment advice. This finding related to one client who entered into simultaneous equal long and short positions in the same futures contract. The client ultimately suffered trading losses. The SFC asserted there was no reasonable basis for Leung adopting this kind of trading strategy, known as "locking" (Note 4).

The SFAT was persuaded that Leung gave appropriate advice to her client and that, in the absence of a specific prohibition against locking, the SFC's finding could not be sustained (Note 5).

Mr Mark Steward, SFC's Executive Director of Enforcement, said: "The SFC does not prohibit the practice of locking. But the SFC insists that advisers make sure locking, like any other investment strategy, is suitable for their clients' financial position and risk profile. Deferring a loss in the hope that it can be made good involves further transaction costs for the client and, of course, runs the risk that greater losses will be incurred."

Ends

Notes:

1. Leung is a representative licensed under the Securities and Futures Ordinance to carry on Type 2 (dealing in futures contracts) regulated activity and is currently accredited to Sun Hung Kai Commodities Limited.

2. Please see [SFC press release dated 1 December 2005](#) for details.

3. The Code of Conduct requires firms to disclose related accounts such as those in this case so they can monitor effectively trading by their employees ensuring fair treatment for their clients.

4. Simultaneous holding of equal long and short positions is commonly known as "locking". For further information regarding locking, please refer to the March 2005 issue of Dr Wise's Column entitled "[Look Before You Lock](#)", available on the InvestEd website at www.InvestEd.hk.

5. The SFAT's Reasons for Determination is available on its website at www.sfat.gov.hk.

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