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## Enforcement News

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24 October 2007

### **SFC Bans Former Whole Win Directors for Life**

The SFC has banned Mr Leung Kin Man Kenny and his wife, Ms Leung Wu Huey Ju Betty, from re-entering the industry for life. Kenny Leung is formerly the substantial shareholder and a director of Whole Win Securities Limited, while Betty Leung is formerly a responsible officer and director of Whole Win (Note 1).

In May 2006, the SFC discovered that the monthly returns filed by Whole Win on its financial resources were inaccurate and that Whole Win had inflated its liquid capital by including \$25 million worth of dishonoured cheques from December 2005 to April 2006. Whole Win's liquid capital was in fact in deficit by as much as \$28 million, in breach of the Securities and Futures (Financial Resources) Rules (FRR).

Further investigation into Whole Win's business revealed that about \$17 million worth of client securities were pledged for its bank borrowings without the relevant clients' authorisation (Note 2).

The SFC found that both the inclusion of the dishonoured cheques in the calculation of Whole Win's liquid capital and the unauthorised pledge of client securities were carried out under Kenny Leung's instruction.

Betty Leung was the responsible officer who certified the accuracy of the overstated monthly financial resources returns. She turned a blind eye to Whole Win's business affairs and claimed that she signed the returns without understanding them and denied knowing about the pledge of client securities.

The SFC found that Betty Leung failed to:

- (i) know Whole Win's financial position;
- (ii) ensure that returns submitted were accurate;
- (iii) identify the unauthorised pledge of client securities; and

(iv) put in place adequate controls to safeguard client assets.

In deciding the penalties, the SFC has taken into account all the circumstances including:

- (i) financial resources requirements and safeguarding client assets are fundamental to investor protection and market integrity;
- (ii) the FRR breaches were very large;
- (iii) large amounts of client assets were handled without authority;
- (iv) Kenny Leung was primarily responsible;
- (v) Betty Leung grossly neglected her duties as a responsible officer;
- (vi) the unauthorised pledge of client securities was dishonest; and
- (vii) Whole Win's clients would have suffered substantial losses if Whole Win's ownership had not been restructured (Note 3).

In view of these factors, the SFC considers that strong disciplinary action is therefore necessary in this case.

Mark Steward, the SFC's Executive Director of Enforcement, said: "Licence holders who pledge client assets without authority and responsible officers who turn a blind eye have no place in Hong Kong's markets."

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Notes:

1. Both Kenny Leung and Betty Leung ceased to be directors of Whole Win on 1 December 2006. Kenny Leung was not a licensed representative under the Securities and Futures Ordinance but a person involved in the management of Whole Win's business at the relevant time. Betty Leung was licensed under the SFO to carry on Type 1 (dealing in securities) regulated activity. Her licence was revoked on 31 May 2006 and she is currently not a licensed person.

2. Please see [SFC press release dated 26 May 2006](#) and other press releases in the following months for details.

3. Please see [SFC press releases dated 7 November 2006](#) for details.

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