SFC revokes licence of Wong Shu Cheung

4 Sep 2008

The Securities and Futures Commission (SFC) has revoked the licence of Mr Wong Shu Cheung for front running, pursuant to the Securities and Futures Ordinance (Note 1).

An SFC investigation found that:

- on two occasions in September 2006, Wong disclosed confidential instructions from certain clients to buy two listed securities to a fellow trader, who bought shares in those securities before Wong executed the clients' buy orders;
- the fellow trader then sold all his shares to Wong's clients;
- Wong's clients ended up paying more for the shares than they would have otherwise; and
- the fellow trader reaped a profit before transaction costs of approximately $21,400.

The SFC found that the conduct of Wong and his fellow trader constitutes "front running" (Note 2). The SFC also formed the view that Wong had breached obligations of trust owed to both his employer and its clients. Wong and the fellow trader had deprived the clients as well as other market participants of the opportunity to buy the relevant shares at a lower price and thus harmed the best interests of the investing public and the integrity of the market.

"Licensed intermediaries have an obligation to put the interests of their clients first," said Mr Mark Steward, the SFC's executive director of Enforcement. "Wong breached this cornerstone obligation by violating his clients' trust. This decision sends a strong message that traders who think they can get away with such harmful behaviour will be caught and banished from the industry."

Wong was employed by J.P. Morgan at the relevant time. J.P. Morgan did not profit from these activities and co-operated with the SFC's investigation.

End

Notes:

1. Wong was licensed under the SFO to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities. At the material time, he was accredited to J.P. Morgan Broking (Hong Kong) Limited.
2. Front running is when a person misuses confidential information about a person's trading intentions to make a profit, often at that person's expense. For example, a broker who knows his or her client intends to buy a lot of shares in a stock may buy up that stock first at a lower price to sell on to his or her client at a higher price.

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