

## SFAT affirms SFC decision to ban Zhang Xiaoming for false trading

21 Feb 2011

The Securities and Futures Commission (SFC) has prohibited Mr Zhang Xiaoming, formerly Chief Executive Officer (CEO) of ICEA Group and a responsible officer of ICEA Capital Ltd (ICEAC), from re-entering the industry for 12 months from 18 February 2011 to 17 February 2012, following the determination of the Securities and Futures Appeals Tribunal (SFAT) (Notes 1, 2 & 3).

The disciplinary action follows an SFC investigation into the conduct of ICEAC in relation to its role as sponsor and lead underwriter for the listing of a company in 2004. The SFC found that, on the first two days of listing, ICEAC had, through its proprietary account, purchased the shares of the company for the purpose of providing improper market support for the share price after the listing (Note 4).

The SFC investigation revealed that it was Zhang, in his capacity as the CEO of ICEA Group, who had made the market support decision and had instructed his subordinates to execute the purchases, which had the effect of reducing the selling pressure on the company's shares, thus giving the market a false and misleading impression of the natural supply of and demand for, and the price of, the company's shares, in breach of General Principle 1 (honesty and fairness) of the SFC Code of Conduct and section 295 (offence of false trading) of the Securities and Futures Ordinance (SFO).

After taking into account Zhang's otherwise clear disciplinary record and the time taken in the enforcement proceedings, the SFC decided to ban Zhang from the industry for 12 months. Zhang applied to the SFAT for a review of the SFC's decision.

On 18 February 2011, the SFAT dismissed Zhang's application and affirmed the SFC's decision. The SFAT confirmed that "... the SFC was perfectly entitled to find that Mr. Zhang's conduct amounted to the offence of false trading under s 295 SFO. It is not necessary for there to be a criminal finding by a court that offence has taken place, for the SFC to conclude that conduct equivalent to that offence has taken place, and to rely upon that conduct for disciplinary purposes..."

The SFAT refused to accept Zhang's submission that there were no victims in false trading: "The primary victims of false trading are those who may have purchased shares believing that the trading activity demonstrated was genuine trading activity and that there was a genuine interest in the shares... The secondary victims of the conduct complained are, first, the integrity of the market, second, the public's confidence in the market, and the cost of equity in the market."

End

Notes:

1. Zhang was licensed under the SFO to carry on business in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities and was accredited to ICEAC from February to November 2003. Zhang currently does not hold a licence with the SFC.
2. ICEAC was a corporation licensed under the SFO to carry on business in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. ICEAC ceased to be licensed in October 2009.
3. The SFAT comprised the Honourable Mr Justice Saunders, Chairman of the SFAT, Professor Richard Ho Yan Ki and Mr Henry Wu King Cheong. The SFAT's reasons for determination will be available on its website at [www.sfat.gov.hk](http://www.sfat.gov.hk).
4. Please also refer to SFC press releases dated [6 June 2008](#), [17 November 2009](#) and [5 July 2010](#).

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