

## SFC bans Yan Chee Yung for life

23 Oct 2014

The Securities and Futures Commission (SFC) has banned Mr Yan Chee Yung, a former employee of Chong Hing Securities Limited, from re-entering the industry for life for defrauding his clients and misappropriating client money (Note 1).

The disciplinary action follows an SFC investigation which found that, between June 2006 and February 2014, Yan:

- misrepresented to 18 clients of Chong Hing Securities Limited and Chong Hing Bank Limited that he could buy shares on their behalf at a price lower than market price and/or promised them that he would buy back the shares at a guaranteed price, and induced the clients to enter into private investment arrangements with him;
- induced the clients to give him money to buy shares on their behalf and misappropriated their money and used it for his own personal expenses, gambling and settling credit card debts; and
- falsified transaction records to gain the clients' trust.

The SFC considers that Yan's conduct demonstrates a serious lack of honesty and integrity and concludes that Yan is guilty of misconduct and his fitness and properness to be licensed has been called into question.

In deciding the sanction, the SFC took into account all relevant circumstances including that:

- Yan's misconduct was gravely dishonest and lasted for more than seven years;
- he abused the trust which his clients placed in him and his actions resulted in losses to the clients;
- he admitted his misconduct during the SFC's investigation; and
- he had an otherwise clean disciplinary record.

The District Court today sentenced Yan to imprisonment of 36 months after he was convicted of 18 counts of theft in relation to the misappropriation of approximately \$6.9 million from clients following an investigation by the police.

End

Note:

1. Yan was licensed under the Securities and Futures Ordinance to carry on Type 1 (dealing in securities) regulated activity and was accredited to Chong Hing Securities Limited between 10 January 2011 and 11 February 2014. He was also a relevant individual engaged by Chong Hing Bank Limited to carry on Type 1 (dealing in securities) regulated activity between 1 April 2003 and 10 February 2014, and Type 4 (advising on securities) regulated activity between 1 April 2003 and 31 December 2010. Yan is currently not licensed by the SFC or registered with the Hong Kong Monetary Authority.

[A copy of the Statement of Disciplinary Action is available on the SFC website](#)

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## STATEMENT OF DISCIPLINARY ACTION

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### The Disciplinary Action

1. The Securities and Futures Commission (**SFC**) has prohibited Mr Yan Chee Yung (**Yan**)<sup>1</sup>, a former employee of Chong Hing Securities Limited, from re-entering the industry for life pursuant to section 194 of the Securities and Futures Ordinance (**SFO**).<sup>2</sup>
2. The SFC found that between June 2006 and February 2014 Yan:
  - (a) misrepresented to 18 clients of Chong Hing Securities Limited and Chong Hing Bank Limited (collectively **Chong Hing**) that he could buy shares on their behalf at a price lower than market price and/or promised them that he would buy back the shares at a guaranteed price, and induced the clients to enter into private investment arrangements with him;
  - (b) induced the clients to give him money to buy shares on their behalf and misappropriated their money and used it for his own personal expenses, gambling and settling credit card debts; and
  - (c) falsified transaction records to gain the clients' trust.
3. Yan's conduct demonstrates a serious lack of honesty and integrity, in breach of General Principle 1 (honesty and fairness) of the Code of Conduct<sup>3</sup>.

### Summary of Facts

4. Yan joined Chong Hing in 1996 and had worked at the Tokwawan Branch of Chong Hing Bank since 2002.
5. On 11 February 2014, Chong Hing Securities informed the SFC that Yan had failed to report to duty, and two clients claimed that Yan had private investment arrangements with them and failed to return the money which he owed to them. Yan was dismissed by Chong Hing Securities on the same day.

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<sup>2</sup> The District Court today sentenced Yan to imprisonment of 36 months after he was convicted of 18 counts of theft in relation to the misappropriation of approximately \$6.9 million from clients following an investigation by the police.

<sup>3</sup> Code of Conduct for Persons Licensed by or Registered with the SFC.

6. The SFC's investigation revealed that between June 2006 and February 2014:
  - (a) Yan entered into private investment arrangements with 18 clients of Chong Hing. He lured these clients into giving him money to invest on their behalf by representing to them that he could buy shares in his name at a more favourable price than market price and/or promising them that he would buy back the shares at a guaranteed price without charging any transaction fee.
  - (b) In reliance on Yan's representation, the clients issued cheques to Yan in his name and/or deposited money directly into his bank account. On most occasions, Yan provided handwritten receipts to the clients which briefly set out the transaction information such as the stock name, share price and number of shares bought.
  - (c) On some occasions, Yan falsified transaction records using Chong Hing's buy order receipt form to gain his clients' trust.
  - (d) Yan misappropriated his clients' money and used it for his own expenses instead of buying shares for them.
7. Yan admitted that he defrauded his clients and falsified transaction records to gain his clients' trust. He also admitted that the clients' monies were not used to purchase shares on their behalf but were used to pay for his own personal expenses, gambling and settling credit card debts.

### **Conclusion**

8. General Principle 1 of the Code of Conduct requires a licensed person to act honestly, fairly and in the best interests of its clients and the integrity of the market.
9. Yan's conduct was gravely dishonest and seriously jeopardized the interests of investors and the integrity of the market, in breach of General Principle 1 of the Code of Conduct.
10. The way Yan deceived clients, misappropriated their assets and falsified transaction records also seriously called into question his ability to carry on regulated activities honestly and fairly, and his character, reliability and reputation.