

Press Releases

25 February 1998

Investigation Report on Trading of Shares in Crownhampton International Limited

The Securities and Futures Commission today publishes an investigation report in relation to the trading of shares in Crownhampton International Limited (Crownhampton).

The investigation centered on suspected contraventions of the Securities (Insider Dealing) Ordinance and the Securities (Disclosure of Interests) Ordinance during the period August to November 1993.

The report, published with consent of the Secretary for Justice, sets out the background to the investigation and the difficulties encountered by the SFC investigators during their examination into certain dealings in Crownhampton shares by persons who routed their orders through brokers in Singapore.

The investigators concluded that despite their belief that the case merited further enquiry, the non-availability of vital information from Singapore, because the Singapore brokers concerned could not obtain their clients' consent to provide the information, meant the investigation could not be pursued further.

The SFC was therefore unable to refer the case to the Financial Secretary with a recommendation for an inquiry by the Insider Dealing Tribunal, nor could it take any further actions under the Securities (Disclosure of Interests) Ordinance.

The report notes that the investigatory powers under the Securities and Futures Commission Ordinance do not extend beyond Hong Kong borders and that overseas brokers dealing in the Hong Kong market cannot be required to provide information to facilitate SFC enquiries. It further notes that the domestic laws of many foreign jurisdictions are sufficient to overcome such problems by allowing the regulator to exercise its own powers to assist its overseas counterparts. The report says, however, that there is a regulatory gap in relation to jurisdictions which have client confidentiality obligations but no overriding legislation that allows a regulator to obtain information on behalf of its overseas counterparts.

The SFC has therefore decided to consult the market on proposals made by the investigators that the SFC Code of Conduct be amended to address investigatory difficulties which may arise where transactions are effected by a Hong Kong registered person on behalf of a nominee or omnibus account operating out of a foreign jurisdiction.

Under the proposed amendment, all necessary client consents should be obtained by a registrant before a transaction is effected, to ensure that he is entitled, upon a request being made by the SFC, to know the name of the client or clients that are behind the nominee or omnibus account.

It is believed such a requirement will not impair overseas participation in the Hong Kong market as most developed jurisdictions already have laws which allow for this information to be made available direct to the SFC by its foreign regulatory counterpart. In other cases, the requirement could be met by the client signing a once-off waiver agreement specifically allowing his broker to disclose the required information to the SFC.

The public is invited to comment on the proposal by 25 March 1998. Written comments should be sent in to :

The Securities and Futures Commission
12th Floor Edinburgh Tower
Queen's Road Central
The Landmark
Hong Kong

for the attention of the Secretary to the Commission.

A limited number of copies of the report are available upon written request. The English version of the report can be found on the SFC Internet Website at <http://www.hksfc.org.hk>. Interested persons may also submit comments on the proposal by e-mail to enquiry@hksfc.org.hk.

■ [Report on an Investigation into Possible Contraventions of Securities \(Insider Dealing\) Ordinance and Securities \(Disclosure of Interests\) Ordinance in relation to the Trading of Shares in Crownhampton International Limited](#)

For further information, please contact Chan Chi Keung 2842-7624 or Bill Weeks at 2840-9289.

Note : Crownhampton International Limited has subsequently been renamed Sum Cheong International Limited, and then China Development Corporation Limited.

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