

Enforcement Actions

10 October 1999

SEHK/SFC Joint Press Release

Action against Lei Shing Hong Securities Limited and Mr Chan Wai Chow, Johnnie

The Securities and Futures Commission ("SFC") and The Stock Exchange of Hong Kong Limited (the "Exchange") jointly announce today that they have taken action against Lei Shing Hong Securities Limited ("LSHSL") and its Dealing Director, Mr Chan Wai Chow, Johnnie ("Mr Chan"). Both LSHSL and Mr Chan are registered securities dealers under the Securities Ordinance.

The actions stemmed from an inquiry in which it was found that during the period 1 April 1997 to 31 January 1999 LSHSL and Mr Chan had:-

- a. failed to adequately supervise the activities of its staff;
- b. allowed staff to carry out the functions of dealer's representatives whilst unregistered; and
- c. failed to implement appropriate account opening procedures.

These failures and accommodations had created an environment that certain of LSHSL's account executives exploited to conduct unauthorised trades via the accounts of their clients maintained with LSHSL.

The SFC has therefore decided to suspend Mr Chan's registration for three months and to publicly reprimand LSHSL.

The Disciplinary Committee of the Exchange (the "Disciplinary Committee") has also decided to publicly censure LSHSL and Mr Chan and fine LSHSL HK\$80,000 and Mr Chan HK\$30,000.

In deciding on this course of action, the SFC and the Disciplinary Committee took into consideration that:-

- the failures and accommodations were essentially those of Mr Chan, and Mr Chan has been fined HK\$7,000 in Western Magistracy for aiding and abetting the unregistered dealing of a former staff of LSHSL;
- both LSHSL and Mr Chan have cooperated fully with the SFC throughout the inquiry process;
- LSHSL commissioned a leading accountancy firm to conduct a comprehensive review of its internal control system and the review revealed that it had significantly improved its operation;
- LSHSL has been quick to revise its management structure with a view to strengthening its internal compliance procedures, including the appointment of a dedicated compliance officer; and
- LSHSL did not participate in the unauthorised trading and had no knowledge of it.

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