

[Home](#) ▶ [News & announcements](#) ▶ [News](#) ▶ [Enforcement news](#)

SFC Reprimands and Fines Yu Hing Fai for Short Selling A

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The SFC has reprimanded Mr Yu Hing Fai, a licensed representative of Ewarton Securities Limited and fined him \$40,000 for short selling (Note 1).

Between April and September 2003, Yu conducted 75 short sales through his account maintained at Ewarton. Of these transactions, 64 were intra-day short sales and the rest resulted in buy backs by HKEx.

Yu repeatedly failed to observe Ewarton's internal policy to check that he had sufficient stock in his account before placing his sell orders for execution. Yu was aware that he was selling short. However, he recklessly continued to place sell orders without checking the stock balance of his account.

In deciding the level of fine, the SFC considered the Disciplinary Fining Guidelines (Note 2) and all the circumstances of the case including the fact that:

- no investors or other market users appeared to have been adversely affected by Yu's short selling activities; and
- Yu's clean disciplinary record.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "Licensed representatives must comply with their firms' internal controls and systems. These internal controls and systems are there for the purpose of protecting the firm, its staff and its clients. Licensed representatives should always check that an account has sufficient shares before executing any sell orders."

Ends

Notes:

1. Yu is a representative licensed to carry on Type 1 (dealing in securities) regulated activity.
2. The Disciplinary Fining Guidelines were issued by the SFC in March 2003 under section 199(1)(a) of the Securities and Futures Ordinance.

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