

Joint Press Release - Action against CAF Securities Company Limited

24 Jun 1998

The Securities and Futures Commission ("SFC") and The Stock Exchange of Hong Kong Limited (the "Exchange") jointly announce today that they had taken action against CAF Securities Company Limited ("CAF"), a securities dealer and a Member of the Exchange, and against its Dealing Director, Mr Lee Wah Kin ("Lee"). The SFC has also taken action against CAF's former director, Mr Chau Yi Ming, Peter ("Chau").

This action arose because of the misconduct of Chau and Lee which took place during their employment with CAF and another securities dealer Chintron Securities Limited ("Chintron"). Chintron was subsequently taken over by new management on 6 December 1995.

Chau was a director of both CAF and Chintron and, although not registered in any capacity with the SFC, was the person responsible for the day to day operations and management at both Chintron and CAF. His misconduct was related to the following acts:

- a. performing the functions of a dealer on behalf of Chintron during the period March 1994 to December 1995 and CAF during the period December 1995 to June 1997 respectively whilst not registered;
- b. engaging in trading malpractices which were not in the best interest to the clients of Chintron and CAF by means of in-house manual cross trades between clients' accounts and his nominee accounts maintained at both Chintron and CAF during the period October 1995 to February 1996 and by preferential reallocation of trades executed for clients of CAF to his nominee accounts at CAF; and
- c. shortselling securities during the month of October 1995.

Chau had since ceased to be employed by CAF.

Lee was the sole registered Dealing Director of both Chintron and CAF with the principal responsibility of supervising their securities business. He failed to properly carry out his responsibilities in that he condoned the unregistered dealing activities of Chau and knowingly facilitated Chau's trading malpractices. However, Lee did not derive any personal gains from the trading malpractices of Chau other than the commission generated from the trades.

By reason of the misconduct of its directors Chau and Lee in relation to its securities business and by reason of its failure to ensure that proper checks and balances were in place in its systems and procedures to detect improper and illegal activities, CAF also failed in its responsibilities to properly supervise its business.

The SFC has decided to publicly reprimand CAF and Chau, and suspend the registration of Lee for a period of 24 months effective 25 June 1998. On the other hand, the Disciplinary Committee of the Exchange (the "Disciplinary Committee") has decided to publicly censure both CAF and Lee. In addition, the Disciplinary Committee has decided to fine CAF HK\$30,000 and Lee HK\$15,000.

In deciding on these courses of action, the SFC and the Disciplinary Committee took into account:

- The co-operative attitude of all the parties in the investigation.
- Lee had left all positions with CAF.
- CAF had undertaken remedial action following the SFC's investigation to ensure that its securities business would be conducted in a proper manner, including that:
 - the internal control procedures of CAF were reviewed by an independent firm of accountants and CAF had undertaken to implement all the recommendations in the review report to the satisfaction of the Exchange; and
 - CAF had appointed a person with full responsibility for corporate compliance acceptable to the SFC.

A copy of the Notice of Public Censure published by the Exchange is attached for your reference.

For further information, please contact Mr Bill Weeks or Mr Chan Chi-keung of the SFC at 2840-9287 or Mr Henry Law of the Exchange at 2840-3862.

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The Stock Exchange of Hong Kong

NOTICE OF PUBLIC CENSURE

The Stock Exchange of Hong Kong Limited (the "Exchange") announces that on 16 June 1998, the Disciplinary Committee heard the cases of the Member, CAF Securities Company Limited ("CAF") and its Dealing Director, Mr Lee Wah Kin ("Mr Lee"). The Disciplinary Committee found a charge against each of CAF and Mr Lee for breach of the Rules of the Exchange proved.

The substance of the charge proved against Mr Lee was that: -

- i. during the period December 1995 to June 1997, Mr Lee had condoned the unregistered dealing activities conducted by a former director of CAF; and
- ii. Mr Lee had failed to put in place proper internal control in CAF, resulting that the said director engaged in trading malpractices by means of in-house manual cross trades between clients' accounts and the director's nominee accounts maintained at CAF and by means of preferential reallocation of trades executed for CAF's clients to his nominee accounts maintained at CAF during the period December 1995 to February 1996. It also resulted that the staff of CAF engaged in illegal short-selling activities through nominee accounts maintained at CAF during the period December 1995 to February 1996.

By reason of the above misconduct of the said director and Mr Lee and by reason of CAF's failure to ensure that proper checks and balances were in place in its systems and procedures to detect the improper and illegal activities, CAF had failed in its responsibilities to properly supervise its business.

Having taken into account: -

- i. the co-operative attitude of all the parties in the investigation;
- ii. Mr Lee had left all positions with CAF; and
- iii. CAF had undertaken remedial action following the investigation to ensure that its securities business would be conducted in a proper manner, including that: -
 - a. the internal control procedures of CAF were reviewed by an independent firm of accountants and CAF had undertaken to implement all the recommendations in the review report to the satisfaction of the Exchange; and
 - b. CAF had appointed a person with full responsibility for corporate compliance acceptable to the Securities and Futures Commission,

the Disciplinary Committee resolved that a penalty of public censure plus a fine of HK\$30,000 be imposed on CAF and a penalty of public censure plus a fine of HK\$15,000 be imposed on Mr Lee. The penalty of public censure is hereby imposed on each of CAF and Mr Lee.

For and on behalf of

The Stock Exchange of Hong Kong Limited

Fanny Chung

Secretary - Disciplinary Committee

Hong Kong, 24 June 1998

Page last updated : 1 Aug 2012

聯合新聞稿 - 證監會及聯交所對農銀証券有限公司採取紀律行動

1998年6月24日

證券及期貨事務監察委員會（「證監會」）及香港聯合交易所有限公司（「聯交所」）今天聯合公布，已對證券交易商兼聯交所會員農銀証券有限公司（「農銀」）及其交易董事李華健先生（「李氏」）採取紀律行動。證監會亦對農銀的前董事周以明先生（「周氏」）採取紀律行動。

證監會及聯交所採取上述紀律行動是由於周氏及李氏於農銀及另一證券交易商正昌証券有限公司（「正昌」）任職時行為不當，而正昌已於1995年12月6日被新管理層接管。

周氏為農銀及正昌的董事。雖然周氏未有在證監會註冊，但他負責正昌及農銀的日常運作及管理工作。周氏的不當行為是關於下述事件：

(a) 在未有註冊的情況下，周氏分別於1994年3月至1995年12月期間代表正昌及於1995年12月至1997年6月期間代表農銀執行交易商的職能；

(b) 於1995年10月至1996年2月期間，周氏進行並非以正昌及農銀的客戶最佳利益為依歸的不當交易，方法是在客戶的戶口及其在正昌及農銀開設的代理人戶口之間用人手進行內部交叉盤買賣，以及將已替農銀客戶執行的買賣盤優先轉往其於農銀開設的代理人戶口；及

(c) 於1995年10月期間，周氏賣空證券。

農銀已停止僱用周氏。

李氏為正昌及農銀唯一的註冊交易董事，主要職責為監督正昌及農銀的證券買賣業務。李氏未有適當地履行其職責，理由是他容忍周氏在未有註冊的情況下進行證券買賣活動，並在明知情況下利便周氏進行不當交易。不過，李氏除了從周氏的不當交易中獲得佣金收益外，並未獲得任何個人利益。

由於農銀的董事周氏及李氏進行與其證券買賣業務有關的不當行為，以及由於未有確保在其系統及程序中設立妥善的監察措施，以查察不當及非法的交易活動，因此農銀亦未有履行須妥善監督其證券買賣業務的職責。

證監會已決定公開譴責農銀及周氏，以及決定由1998年6月25日起吊銷李氏的註冊，為期24個月。另一方面，聯交所紀律委員會（「紀律委員會」）亦已決定公開譴責農銀及李氏。此外，紀律委員會並決定向農銀罰款港幣30,000元及向李氏罰款港幣15,000元。

證監會及紀律委員會在決定採取上述紀律行動時，曾考慮下列各點：

- 各有關方面在調查時態度十分合作。
- 李氏已辭去農銀所有職位。
- 農銀在證監會調查後已承諾會採取補救措施，以確保其證券買賣業務得以妥善地運作，該等措施包括：
 - 由一間獨立的會計師行檢討農銀的內部控制程序，而農銀亦已承諾會實施該檢討報告的所有建議，以符合聯交所的要求；及
 - 農銀已委任一名人士，全職負責該公司關於遵守條例及規則方面的事宜，以達到證監會接納的水平。

本新聞稿隨附由聯交所發出的公開譴責聲明，以供參照。

如有進一步查詢，請致電證監會韋克志先生或陳志強先生（2840 - 9287）或聯交所羅文慧先生（2840 - 3862）。

1998年6月24日

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香港聯合交易所

公開譴責聲明

香港聯合交易所有限公司（「聯交所」）宣布，紀律委員會於1998年6月16日聆訊會員農銀證券有限公司（「農銀」）及其證券商董事李華健先生（「李氏」）的個案。紀律委員會裁定一項有關農銀及李氏觸犯《交易所規則》的指控成立。

對李氏成立的指控是指： -

(i) 在1995年12月至1997年6月期間，李氏曾容忍農銀一名前董事在未有註冊的情況下進行證券買賣活動；及

(ii) 李氏未有在農銀設立妥善的內部控制，以致上述董事在1995年12月至1996年2月期間進行不當交易，方法是在客戶的戶口及其在農銀開設的代理人戶口之間用人手進行內部交叉盤買賣，以及將已替農銀客戶執行的買賣盤優先轉往其於農銀開設的代理人戶口。李氏的缺失亦導致農銀的職員在1995年12月至1996年2月期間，透過他們於農銀開設的代理人戶口進行非法賣空活動。

由於上述董事及李氏的不當行為，以及由於農銀未有確保在其系統及程序中設立妥善的監察措施，以查察不當及非法的交易活動，因此農銀未有履行須妥善監督其證券買賣業務的職責。

紀律委員會經考慮下列各點： -

(i) 各有關方面在調查時態度十分合作；

(ii) 李氏已辭去農銀所有職位；及

(iii) 農銀在調查後已承諾會採取補救措施，以確保其證券買賣業務得以妥善地運作，該等措施包括： -

(a) 由一間獨立的會計師行檢討農銀的內部控制程序，而農銀亦已承諾會實施該檢討報告的所有建議，以符合聯交所的要求；及

(b) 農銀已委任一名人士，全職負責該公司關於遵守條例及規則方面的事宜，以達到證券及期貨事務監察委員會接納的水平，

議決對農銀作出公開譴責及罰款港幣30,000元的處分，以及對李氏作出公開譴責及罰款港幣15,000元的處分。本聲明即為對農銀及李氏的公開譴責。

香港聯合交易所有限公司

紀律委員會秘書

鍾妙芝謹啟

香港，1998年6月24日

