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## SFC Reprimands and Fines Lau Yin Mei Carmela for Short Selling and Other Misconduct

5 Oct 2005

The SFC has reprimanded Ms Lau Yin Mei Carmela and fined her \$53,000 for short selling and other misconduct (Note 1). This is the result of a settlement between Lau and the SFC.

The disciplinary proceedings stemmed from an SFC inquiry in which Lau, a licensed representative of Guotai Junan Securities (Hong Kong) Limited at the material time, was found to have confirmed to the client that she had purchased 3 million shares of a stock on 15 October 2003 when in fact the order had not yet been completed. At the time she confirmed the purchase order, Lau was uncertain as to whether the shares could be delivered. Guotai Junan was unable to deliver the shares to Lau's client.

Lau also failed to take heed of an advice given by a dealing director of Guotai Junan not to confirm the purchase order until the shares were delivered.

On 16 October 2003, the client, believing that it had purchased the shares, instructed Lau to sell part of the shares. While knowing that the shares had not yet been delivered to Guotai Junan, Lau sold 350,000 shares for the client, which was a short sale in breach of section 170 of the Securities and Futures Ordinance.

The SFC concludes that Lau has been guilty of misconduct and her fitness and properness has been called into question.

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

- confirmed the orders upon her colleague's advice;
- was a licensed person with more than 10 years' experience;
- short sold the shares on one occasion;
- put the client and Guotai Junan at risk of litigation and financial loss due to the failure in the delivery of the shares purchased for the client;
- co-operated with the SFC's investigation;
- reported the short sale to the management; and
- was publicly reprimanded previously for failing to exercise due care and diligence (Note 3).

The SFC considers the settlement to be in the interest of the investing public and in the public interest. The SFC will pay the sum to the government revenue.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "It is paramount that licensed persons ensure that they do not short sell as it may constitute a criminal offence. Lau should not have confirmed the order, in light of her knowledge that the shares were not yet delivered."

Ends

Notes to Editor:

1. Lau is a licensed representative in Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities. She is currently not accredited to any licensed corporation.
2. The [Disciplinary Fining Guidelines](#) are available on the SFC's website at <http://www.sfc.hk>.
3. Please see press release dated 22 January 2001 for details.

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