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## SFC Revokes Licences of Chung Yu Kit and Ding Lai Leung

4 Jan 2008

The SFC has revoked the licences of Mr Chung Yu Kit and Mr Ding Lai Leung (Note 1). Ding was also fined \$128,000, being the amount of profit made from his front running activities.

An SFC inquiry found that:

- Chung gave confidential information about his clients' instructions to buy four listed securities to fellow trader, Ding, before placing those clients' orders;
- Ding bought shares in the four listed securities on five occasions between September 2006 and October 2006;
- Ding sold the shares for profit and, in the vast majority of selling transactions, he sold the shares to Chung's clients (Note 2);
- Chung's clients ended up paying more for the shares than they would have otherwise; and
- Ding reaped a profit before transaction costs of approximately \$128,000.

The SFC formed the view that this conduct constitutes 'front running' by both Chung and Ding (Note 3). The SFC also formed the view that Chung had breached obligations of trust owed to both his clients and his employer. Chung and Ding also deprived those clients and other market participants the opportunity to buy the relevant shares at a lower price and thus affected the best interests of the investing public and the integrity of the market.

The SFC concludes that Chung and Ding have been guilty of misconduct and their fitness and properness has been called into question.

Mr Mark Steward, the SFC's Executive Director of Enforcement, said: "These were fundamental breaches of trust directly harming the integrity of the market and the confidence of the investing public."

Ends

Notes:

1. Chung is licensed under the Securities and Futures Ordinance to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities. At the material time, he was accredited to J.P. Morgan Broking (Hong Kong) Limited. Ding is licensed under the Securities and Futures Ordinance to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities, accredited to YF Securities Company Limited.
2. An average of 94% of Ding's purchases on those five occasions were sold to Chung's clients.
3. Front running is when a person misuses confidential information about another person's trading intentions to make a profit often at the latter's expense. For example, a broker who knows his or her client is going to buy a lot of shares in a stock may buy up that stock first at a lower price to sell on to his or her client at a higher price.

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