

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

SFC bans Chan Chi Yuen for 18 months

13 Oct 2015

The Securities and Futures Commission (SFC) has banned Mr Chan Chi Yuen from re-entering the industry for 18 months from 9 October 2015 to 8 April 2017 (Note 1).

The disciplinary action follows Chan's conviction in 2013 for illegal short selling (Notes 2 & 3).

The SFC found that Chan also concealed his beneficial interest and personal trades conducted in his wife's account from the licensed corporation that he was accredited to, including his illegal short selling activities. In addition, he failed to disclose the accounts of his wife and two sisters maintained with the licensed corporation between 2008 and 2011. His conduct was in breach of the internal policy of the licensed corporation (Note 4).

As a result of Chan's concealment, he was able to circumvent the licensed corporation's monitoring of the trades conducted by him in his wife's account, making it impossible for the licensed corporation to detect his illegal short selling activities.

The SFC concluded that Chan was guilty of misconduct, calling into question his fitness and properness as a licensed person.

In determining the penalty, the SFC took into account all the circumstances, including Chan's conduct was dishonest and intentional, his guilty plea to illegal short selling and the resulting fine imposed on him.

End

Notes:

1. Chan was a licensed representative to carry on Type 1 (Dealing in securities) and Type 2 (Dealing in futures contracts) regulated activities under the Securities and Futures Ordinance (SFO). Chan was accredited to Phillip Securities (Hong Kong) Limited and Phillip Commodities (HK) Limited since 11 March 2008 and 1 September 2008 respectively. His accreditation ceased on 18 May 2012 and is currently not a licensed representative or relevant individual under the SFO.
2. On 31 October 2013, Chan was convicted at the Eastern Magistrates' Court of 26 counts of illegal short selling in the shares of Hutchison Whampoa Limited, China COSCO Holdings Company Limited and China Coal Energy Company Limited contrary to section 170 of the SFO. He was fined \$57,200 and ordered to pay the SFC's investigation costs. For details, please see SFC's press release dated [31 October 2013](#).
3. The summonses laid against Chan at the Eastern Magistrates' Court represent 26 specimen charges out of a total of 52 occasions of illegal short selling identified by the SFC.
4. Paragraph 12.2 of the Code of Conduct for Persons Licensed by or Registered with the SFC requires licensed corporations to implement procedures and policies on employee trading and to actively monitor the trading activities in their employees' accounts and their related accounts.

[A copy of the Statement of Disciplinary Action is available on the SFC website](#)

Page last updated : 13 Oct 2015

STATEMENT OF DISCIPLINARY ACTION

The Disciplinary Action

1. The Securities and Futures Commission (**SFC**) has banned Mr Chan Chi Yuen (**Chan**)¹ from re-entering into the industry for a period of 18 months pursuant to section 194 of the Securities and Futures Ordinance (**SFO**).
2. The SFC found that, Chan, a former licensed representative accredited to Phillip Securities (Hong Kong) Limited and Phillip Commodities (HK) Limited (collectively **Phillip Group**),
 - (a) failed to disclose his relatives accounts maintained with Phillip Securities (Hong Kong) Limited and concealed his beneficial interest and personal trades in his wife's account from Phillip Group; and
 - (b) was convicted of 26 counts of illegal short selling in breach of section 170 of the SFO.

Summary of Facts

3. Under Phillip Group's internal policy, Chan, as an account executive of Phillip Group, was required to declare all related and relatives accounts before he joined Phillip Group and on an annual basis. He was also required to actively report to Phillip Group any change of circumstance during the year. This policy was made known to Phillip Group's staff in its Account Executive Manual, the annual declaration forms and internal compliance training.
4. However, according to the records provided by Phillip Group, Chan did not declare his wife's account in the annual declaration forms for the years 2009 and 2010 and the accounts of his two sisters between 2008 and 2011.
5. In addition, Chan deliberately concealed his beneficial interest and personal trading in his wife's account from Phillip Group. It was not until the SFC inquired into the short selling transactions in his wife's account that Chan admitted he was the ultimate beneficial owner of her account and that he conducted his personal trades in her account.
6. The SFC does not accept Chan's explanation that being under time pressure to prepare annual declarations was a valid excuse for his failure to make correct and accurate declarations. According to the evidence, Chan knowingly breached the internal policy of Phillip Group.
7. Apart from breaching the internal policy, Chan was also convicted of illegal short

¹ Chan was licensed as a representative under the Securities and Futures Ordinance to carry on Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities. He was accredited to Phillip Securities (Hong Kong) Limited and Phillip Commodities (HK) Limited between 11 March 2008 and 1 September 2008 respectively. His accreditation ceased on 18 May 2012 and is currently not a licensed representative or relevant individual under the SFO.

selling at the Eastern Magistrates' Court on 31 October 2013. He was fined a total sum of \$57,200 and ordered to pay the SFC's investigation costs. His conviction represented 26 specimen charges out of a total of 52 incidents of illegal short selling.

Conclusion

8. The SFC is of the view that Chan was guilty of misconduct and he is not a fit and proper person to be licensed. His failure to disclose his relatives' account and concealment of his beneficial interest in his wife's account from Phillip Group call into question his fitness and properness to be licensed. His conduct also constitutes a breach of the internal policy of Phillip Group regarding employee trading.
9. The implementation of the internal policy on employee trading is a regulatory requirement imposed on licensed corporations under paragraph 12.2 of the Code of Conduct. Licensed corporations are also obliged to actively monitor the trading activities in their employees' accounts and their related accounts in order to detect any potential conflict of interest and/or other malpractices arising from the employees' trading activities.
10. As a result of the concealment by Chan of his beneficial interest and trades in his wife's account, he was able to circumvent Phillip Group's monitoring of the trades conducted by him in his wife's account, including his illegal short selling activities.
11. Further, his short selling activities were a contravention of section 170 of the SFO, and are a type of misconduct within the meaning of section 193 of the SFO.
12. In deciding the appropriate sanction, the SFC has taken into account all relevant considerations, including that:
 - (a) his conduct was dishonest and intentional; and
 - (b) he pleaded guilty to the summonses and was ordered to pay a fine.