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SFC suspends Ku Yuen Leung for 18 months

23 Aug 2016

The Securities and Futures Commission (SFC) has suspended the licence of Mr Ku Yuen Leung, an account executive of BOCOM International Securities Limited (BOCOM), for 18 months from 23 August 2016 to 22 February 2018 for engaging in manipulative activities (Note 1).

The disciplinary action follows an SFC investigation which found that between 5 and 26 November 2010, Ku created a false or misleading appearance in the market with respect to the shares of Agricultural Bank of China Limited (ABC) by placing large-sized bid orders for ABC shares to drive up the prices of five related call warrants (Note 2).

All the bid orders in ABC shares which were cancelled immediately after Ku sold the related warrants at inflated prices for profit were apparently not driven by genuine demand but intended to influence the market making decision of their liquidity providers.

Ku made a gross profit of \$15,500 from trading the warrants.

In deciding the sanction, the SFC is of the view that Ku's misconduct has undermined the integrity of the market and that he is not a fit and proper person to remain licensed.

Ku, who had applied to the Securities and Futures Appeals Tribunal (SFAT) for a review of the SFC's sanction, was granted leave to withdraw his appeal on 23 August 2016 (Note 3).

End

Notes:

1. Ku is licensed under the Securities and Futures Ordinance to carry on Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities. He ceased to be accredited to BOCOM International Securities Limited on 28 July 2016.
2. The five call warrants involved were: DB-AGBK@EC1105A, DB-AGBK@EC1104, CS-AGBK@EC1104C, CS-AGBK@EC1104D, and CS-AGBK@EC1103B.
3. Please see SFAT Application No. 5 of 2016 published on the SFAT's website at www.sfat.gov.hk.

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

Page last updated : 24 Aug 2016

STATEMENT OF DISCIPLINARY ACTION

The Disciplinary Action

1. The Securities and Futures Commission (“**SFC**”) has suspended Mr Ku Yuen Leung (“**Ku**”)¹ for a period of 18 months pursuant to section 194(1)(i) of the Securities and Futures Ordinance (“**SFO**”).
2. The SFC found that Ku has created a false or misleading appearance, between 5 and 26 November 2010 (“**Relevant Period**”), with respect to the market for the shares of Agricultural Bank of China Limited (stock code: 01288) (“**ABC**”), a misconduct prohibited under sections 274(1)(b) and 295(1)(b) of the SFO.
3. Ku’s conduct was in breach of General Principle 1 of the Code of Conduct for Persons Licensed by or Registered with the SFC (“**Code of Conduct**”).

Summary of Facts

4. Ku, an account executive (“**AE**”) accredited to BOCOM International Securities Limited (“**BOCOM**”), was authorised by his brother-in-law to manage his securities trading account maintained at BOCOM (“**the Account**”) at all material times.
5. Ku placed a total of 21 large-sized bid orders, ranging from 2,000,000 to 3,000,000 ABC shares, at the best bid price on 8 days during the Relevant Period in the Account. Ku cancelled these 21 orders shortly, at most 16 seconds after input. The placement and cancellation of the large-sized bid orders are closely connected to Ku’s trading of five call warrants related to shares of ABC² (“**Call Warrants**”).
6. The trading of the Call Warrants and the placement of the large-sized bid orders indicates that Ku was manipulative. The modus operandi is that:
 - (a) Ku first bought the Call Warrants by taking up the best ask order in the market;
 - (b) Ku then placed an ask order at one spread higher to sell the same quantity of the Call Warrants he just purchased and large-sized bid orders for ABC shares at the best bid price;
 - (c) Ku’s ask orders of the Call Warrants would be executed if the large-sized bid orders for ABC shares drove up the price for the Call Warrants; and
 - (d) once the ask orders of the Call Warrants were executed, Ku cancelled the large-sized bid orders for ABC shares.
7. Ku made a gross profit of \$15,500 from trading the Call Warrants.

¹ Ku is licensed under the Securities and Futures Ordinance to carry on Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities. He ceased to be accredited to BOCOM International Securities Limited on 28 July 2016.

² The five call warrants involved were DB-AGBK@EC1105A (stock code: 25450), DB-AGBK@EC1104 (stock code: 25795), CS-AGBK@EC1104C (stock code: 26449), CS-AGBK@EC1104D (stock code: 26498), CS-AGBK@EC1103B (stock code: 25610).

8. As a licensed person, Ku had a duty to act in the interests of market integrity. Ku's conduct **undermined the integrity of the market by creating an appearance of artificial demand**. Ku should not have interfered with the impartiality and objectivity of the normal price formation process for the Call Warrants.

Conclusion

9. Having considered all the circumstances, the SFC is of the view that Ku had been guilty of misconduct and is not a fit and proper person to remain or be licensed. His conduct is against General Principle 1 (Honesty and Fairness) of the Code of Conduct. In light of the above, the SFC decided to take the disciplinary action against Ku.
10. In determining the appropriate sanction, the SFC took into account all relevant circumstances, including:
 - (a) that the concerned market-manipulative order-placing conduct was not a one-off event but was observed over a period of almost one month involving one stock and five call warrants;
 - (b) Ku's conduct is very serious as it misleads investors and damages market integrity;
 - (c) Ku's remorse and acceptance of his misconduct;
 - (d) Ku's otherwise clean disciplinary record; and
 - (e) that a strong message needs to be sent to the industry that market manipulation is a very serious matter and will not be tolerated, and a licensed representative who engages in such conduct will be subject to sanctions that are commensurate with his/her misconduct.

[主頁](#) ▶ [新聞稿及公布](#) ▶ [新聞稿](#) ▶ [所有新聞稿](#)

證監會暫時吊銷古苑良的牌照18個月

2016年8月23日

證券及期貨事務監察委員會（證監會）因交銀國際證券有限公司客戶主任古苑良（男）進行操縱性的活動而暫時吊銷其牌照，為期18個月，由2016年8月23日至2018年2月22日止（註1）。

證監會經調查後採取上述紀律處分行動。調查發現，古在2010年11月5日至26日期間，曾就中國農業銀行股份有限公司（農業銀行）股份發出大額買盤，從而在市場上營造有關農業銀行股份的虛假或具誤導性的表象，以推高五隻相關認購權證的價格（註2）。

古以較高價格沽出相關認購權證獲利後便立刻取消所有農業銀行股份買盤，顯然，該等買盤並非出於真實需求，而是為了影響相關流通量提供者作為莊家的決定。

古透過買賣該等權證獲得了15,500元的毛利。

證監會在釐定罰則時，認為古的失當行為已經損害市場的廉潔穩健，因此他並非繼續持牌的適當人選。

古曾就證監會的罰則向證券及期貨事務上訴審裁處（上訴審裁處）提出覆核申請，並於2016年8月23日獲上訴審裁處准許撤回上訴（註3）。

完

備註：

1. 古根據《證券及期貨條例》獲發牌進行第1類（證券交易）及第2類（期貨合約交易）受規管活動。他自2016年7月28日起，不再隸屬交銀國際證券有限公司。
2. 該五隻認購權證為DB-AGBK@EC1105A、DB-AGBK@EC1104、CS-AGBK@EC1104C、CS-AGBK@EC1104D及CS-AGBK@EC1103B。
3. 請參閱載於上訴審裁處網站（www.sfat.gov.hk）的上訴審裁處申請（編號：2016年第5號）。

有關紀律處分行動聲明載於證監會網站

最後更新日期：2016年8月24日

紀律處分行動聲明

紀律處分行動

1. 證券及期貨事務監察委員會（**證監會**）根據《證券及期貨條例》第 194(1)(i)條暫時吊銷古苑良（古）¹的牌照，為期 18 個月。
2. 證監會發現，古在 2010 年 11 月 5 至 26 日期間（**有關期間**）就中國農業銀行股份有限公司（**農業銀行**）（股份代號：01288）股份的市場，營造了虛假或具誤導性的表象。該行為構成《證券及期貨條例》第 274(1)(b)及 295(1)(b)條所禁止的失當行為。
3. 古的行為違反了《證券及期貨事務監察委員會持牌人或註冊人操守準則》（《**操守準則**》）第 1 項一般原則。

事實摘要

4. 古是隸屬交銀國際證券有限公司（**交銀國際**）的一名客戶主任，在所有關鍵時間，獲其妹夫授權管理他在交銀國際開立的證券交易帳戶（**帳戶**）。
5. 古於有關期間的八日內，在帳戶中以最佳買入價就農業銀行股份合共發出 21 個大額買盤，數量介乎 2,000,000 股至 3,000,000 股之間。古在輸入了上述 21 個指示後不久（最多 16 秒）便將它們取消。該等大額買盤的發出及取消與古就農業銀行股份相關的五隻認購權證²（**認購權證**）所進行的交易有密切關係。
6. 認購權證的買賣及大額買盤的發出，顯示古的行為帶有操縱性。以下是其行為模式：
 - (a) 古首先吸納市場上的最佳沽盤以買入認購權證；
 - (b) 然後以高出有關買入價一個價位的價格就剛買入的相同數量的認購權證發出沽盤，並以最佳買入價就農業銀行股份發出大額買盤；
 - (c) 倘若農業銀行股份的大額買盤推高認購權證的價格，古的認購權證沽盤便會獲得執行；及
 - (d) 一旦該等認購權證的沽盤獲得執行，古便取消上述農業銀行股份的大額買盤。
7. 古透過買賣認購權證獲得了 15,500 元的毛利。
8. 古身為持牌人，有責任以確保市場廉潔穩健的方式行事。古的行為造成虛假需求的表象，損害了市場的廉潔穩健。古不應干擾認購權證的正常定價過程的中立性及客觀性。

結論

¹ 古根據《證券及期貨條例》獲發牌進行第 1 類（證券交易）及第 2 類（期貨合約交易）受規管活動。他自 2016 年 7 月 28 日起，不再隸屬交銀國際證券有限公司。

² 該五隻相關認購權證為 DB-AGBK@EC1105A（股份代號：25450）、DB-AGBK@EC1104（股份代號：25795）、CS-AGBK@EC1104C（股份代號：26449）、CS-AGBK@EC1104D（股份代號：26498）及 CS-AGBK@EC1103B（股份代號：25610）。

9. 證監會經考慮所有情況後，認為古犯有失當行為，並非繼續作為持牌人或獲得發牌的適當人選。他的行為違反《操守準則》第 1 項一般原則（誠實及公平）。鑑於上文所述，證監會決定對古採取紀律處分行動。
10. 證監會在決定適當的制裁時，已考慮到所有相關情況，當中包括：
 - (a) 有關操縱市場的落盤行為並非單一事件，而是持續近一個月且涉及一隻股票和五隻認購權證的失當行為；
 - (b) 古的行為非常嚴重，不單誤導投資者，亦損害市場的廉潔穩健；
 - (c) 古承認其行為失當，並對此感到後悔；
 - (d) 古並無遭受紀律處分的紀錄；及
 - (e) 有需要向業界發出強烈的訊息，藉此表明操縱市場是非常嚴重的事宜，絕不會被姑息，而從事有關失當行為的持牌代表將會受到相應的制裁。