

Enforcement Actions

6 August 2003

SFC Suspends Chiu Ming for Failure to Inquire into Suspicious Trades

The SFC has suspended the licence of Mr Chiu Ming for one week. Chiu is a licensed representative accredited to Shenyin Wanguo Securities (HK) Limited.

The action stems from a market manipulation investigation into the shares of L P Lammas (Note 1). Chiu was the account executive of a trader who from August to October 2001 had placed suspicious orders in that listed company (Note 2).

Chiu admitted to the SFC that he found the trading suspicious, but he chose to turn a blind eye to these possible improper trades in order not to upset the client. As a result, Chiu failed to make proper inquiries into these trading activities. Nor did Chiu report them to Shenyin.

In addition, Chiu failed to verify whether a third party had obtained a written authorisation from the trader before effecting the third party's orders in the trader's account. Chiu was satisfied with the third party's claim that she had obtained a written authorisation, and did not seek to obtain a copy of it.

Chiu's failings have called into question his fitness and properness. The SFC therefore decided to suspend Chiu's licence for one week, effective from 6 to 12 August 2003.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "Upsetting a client is not an excuse for failing to make inquiries into possible improper trades or not reporting them to the company. We expect licensees to play an important role in protecting the integrity of the market. Those who turn a blind eye to possible improper trades will be suspended. Relying on a third party's word in lieu of substantive evidence is not acceptable as far as protecting client's interest is concerned. In the circumstances, Chiu should have obtained a copy of the written authorisation from his client."

Ends

Notes :

1. The market manipulation investigation concerning L P Lammas International Limited has been concluded with no prosecution.
2. The trading was suspicious because the suspected trader: (i) dominated over 90% of the market turnover of the stock on 16 trade days; (ii) placed a series of consecutive orders eight spreads apart which caused material fluctuations in the share price; (iii) bought the stock aggressively which caused a substantial upsurge of the share price (around 30%) within 30 minutes; and (iv) changed from buy to sell orders or vice versa within a day.

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