

Enforcement Actions

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21 April 2004

SFC Reprimands Tanrich Futures Ltd for Internal Control Failures

The SFC has reprimanded Tanrich Futures Ltd under the Securities and Futures Ordinance.

The reprimand stems from an inquiry in which the SFC found that a staff member of Tanrich unlawfully cold called a person on three occasions in July 2002 and pestered the person into opening an account to trade in futures contracts.

Further, Tanrich's staff engaged in dealing activities whilst unregistered on a total of five occasions in August 2002. Tanrich failed to make reasonable efforts to identify and stop the misdeeds of its staff. Its failure was due to a lack of a proper monitoring system over the activities of its staff.

Tanrich's internal policies on the definition of cold calling were also found to be inconsistent with the law. Its individual senior staff each had a different interpretation of cold calling and this could potentially have confused staff.

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

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "A dealer has a duty to ensure that its staff operate in accordance within the limits of the law and should therefore implement monitoring systems. Internal policies are intended to give guidance to staff in their daily work; badly drafted policies only defy the purpose for which they exist. Therefore, firm management should regularly review and update the content so that drawbacks can be identified and rectified at an early stage."

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