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## SFC Reprimands and Fines Ng Yan Ngai

7 Sep 2005

The SFC has reprimanded Mr Ng Yan Ngai, the sole responsible officer of Ewarton Securities Limited, and fined him \$40,000 (Note 1).

The action follows an SFC investigation into the short selling activities carried out by two licensees accredited to Ewarton. The SFC found that Ng had failed to:

- implement and enforce effective measures to detect and prevent short selling of securities at Ewarton;
- ensure Ewarton enforced its written staff dealing policy; and
- adequately and diligently supervise the then manager of Ewarton's Shamshuipo branch.

These failings allowed Mr Chan Yu Man and Mr Yu Hing Fai, two licensed representatives at Ewarton's Shamshuipo branch, to engage in short selling activities over a period of six months between April and September 2003 (Note 2).

In deciding the level of fine, the SFC considered the Disciplinary Fining Guidelines (Note 3) and all the circumstances of the case including the fact that:

- Ewarton has strengthened its short selling controls by recruiting additional staff and issuing warnings to clients who have short sold with a view to terminating their account as a last resort;
- no investors or market users seem to have been adversely affected as a result of Chan's and Yu's short selling activities; and
- Ng's clean disciplinary record.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "A brokerage's systems and controls are only effective if they are properly enforced. Failure to enforce systems and controls may facilitate employee misconduct and prejudice the interests of both the brokerage and its clients. The responsibility to ensure that all internal control measures are effectively enforced falls on the responsible officer. All brokerage firms are expected to employ sufficient resources and procedures for the proper performance of their business operations."

Ends

Notes:

1. Ng is a deemed responsible officer licensed to carry on Type 1 (dealing in securities) regulated activity.
2. Please refer to the other press releases issued on 7 September 2005 for details of the disciplinary actions against Chan and Yu.
3. The Disciplinary Fining Guidelines were issued by the SFC in March 2003 under section 199(1)(a) of the Securities and Futures Ordinance.

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