SFC Bans Wong Wing Fai Eric from Re-entering the Industry for Conflicts of Interest

28 Nov 2005

The SFC has banned Mr Wong Wing Fai Eric, a former licensed representative of Shun Loong Securities Company Limited, from re-entering the industry for five years until 9 January 2011 for conflicts of interest (Note 1). The penalty is the result of a settlement between Wong and the SFC.

The SFC commenced an inquiry into Wong's conduct after receiving a complaint from Shun Loong in May 2004. The SFC found that, from December 2003 to April 2004, Wong had put himself in a position of a conflict of interest by trading substantial amounts of securities which were the subject matter of the research reports he prepared for Shun Loong staff. Some of his trades were contrary to the recommendations in his research reports.

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

In deciding the penalty and coming into a settlement with Wong, the SFC has taken into account that:

- the penalty reflects the seriousness of Wong's repeated misconduct;
- Wong frankly admitted his guilt; and
- Wong co-operated with the SFC and accepted a resolution of the disciplinary action by settlement, which saved the SFC's resources.

The SFC considers the settlement to be in the interest of the investing public and in the public interest.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "The market expects securities analysts to provide objective, independent and unbiased recommendations which accurately reflect the prospects of target companies. It is vital to the maintenance of investor confidence that analysts act with high standards of integrity when producing their reports."

"Paragraph 16 of the Code of Conduct regulating analyst conflicts of interest came into force on 1 April 2005. Analysts are reminded to comply with the trading restrictions imposed by paragraph 16. These include prohibitions on trading contrary to outstanding recommendations and on trading during the blackout period (Note 2). Firms that employ analysts are reminded that they must have in place internal control procedures to eliminate actual or potential conflicts of interest involving analysts. We are pleased to note that Shun Loong detected Wong's misconduct and reported it to us. We encourage other firms to follow suit if they detect similar misconduct by their employees. The SFC will continue to take appropriate actions against analysts and their employers who fail to comply with the regulatory requirements," Mr Linning added.

Ends

Notes to Editor:

1. Wong left Shun Loong in April 2004 and has not been licensed with the SFC since then. On 9 July 2004, the Securities and Futures Appeals Tribunal affirmed the SFC's decision to suspend his licence for 18 months as a result of a separate disciplinary action (please see SFC press release dated 2 August 2004 for details of the previous disciplinary action). The nominal 18-month suspension will expire on 8 January 2006, and the five-year ban imposed in the present case will take effect on 9 January 2006.

2. The Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission is available on the SFC's website at http://www.sfc.hk.

Blackout period refers to the period within 30 days prior to and three business days after the issue of investment research on a stock by an analyst.

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