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## Enforcement News

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13 March 2006

### **SFC Bans Wong Yu Kit from Re-entering the Industry for Facilitating Cold Calling and Failing to Give Reasonable Investment Advice to Clients**

The SFC has prohibited Mr Wong Yu Kit from applying to be a licensed representative or seeking to act as a relevant individual for a registered institution for six months from 11 March 2006 to 10 September 2006 (both dates inclusive) for facilitating cold calling and failing to give reasonable investment advice to clients (Note 1).

The disciplinary action follows the SFC's investigation into the cold calling activities of a former licensed representative of Tanrich Futures Limited (Note 2). It was found that Wong had failed to make reasonable enquires about the representative's calling of prospective clients before assisting him to meet with the client and to induce the client to open an account to trade futures contracts.

During the investigation of a client complaint made against Wong, it was found that Wong had advised clients to simultaneously hold equal long and short positions in the same futures contract and misrepresented that it would reduce risk (Note 3). Wong's failure to give reasonable investment advice to clients also showed that he had failed to perform his functions as a licensed representative with due skill, care and diligence.

The SFC concludes that Wong has been guilty of misconduct and his fitness and properness has been called into question and it has decided to prohibit him from re-entering the industry for six months. In determining the sanction, the SFC has taken into account that the clients Wong advised suffered substantial trading losses and Wong is no longer licensed. If Wong were currently licensed, the SFC would have suspended his licence for at least six months.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "In giving trading recommendations to clients, a licensed representative is under a duty to

ensure that the advice given is reasonable in the circumstances. Holding equal long and short positions of the same futures contract at the same time does not appear to serve any genuine economic purpose. Investors should exercise judgment and should not take it for granted that the trading strategy recommended to them is always suitable.”

Ends

Notes to Editor:

1. Wong was licensed under the Securities and Futures Ordinance to carry on Type 2 (dealing in futures contracts), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities and was a representative accredited to Tanrich Futures. Wong left Tanrich Futures on 1 January 2005 and is not currently licensed.
2. Please see [SFC press release dated 29 September 2005](#) for details.
3. Simultaneous holding of equal long and short positions is commonly known as “locking”. For further information regarding locking, please refer to the March 2005 issue of Dr Wise’s Column entitled [“Look Before You Lock”](#), available on the InvestEd website at [www.InvestEd.hk](http://www.InvestEd.hk).

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