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SFC revokes licence of Chun Peng Fai and bans him for five years

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The Securities and Futures Commission (SFC) has revoked the licence of Mr Chun Peng Fai (Note 1) and banned him from re-entering the industry for five years until 18 October 2015 for derivative warrants trading that had the effect of falsely inflating market turnover.

The disciplinary action follows an SFC investigation into the trading of derivative warrants issued by Macquarie Bank Ltd (MB warrants) in 2004 and 2005 when the issuer offered commission rebates to reduce investors' transaction costs (Note 2).

Chun traded the MB warrants through his then employer, Tsun Chi Yuen Securities Company Ltd (TCY) (Note 3). TCY effectively charged Chun only 0.05% in brokerage commission when the commission rebates from Macquarie Bank Ltd could be as high as 0.25% of the transaction value (Note 4).

Chun repeatedly bought and sold the same derivative warrant at or near the same price within short time intervals. These trades were only profitable because of the difference between the commission rebates offered by Macquarie Bank Ltd and the commission discounts offered by TCY.

The SFC found that Chun's trading could mislead other investors because it would falsely inflate the turnover of the relevant MB warrants, creating a false or misleading appearance that they were actively traded.

This is the last in the series of SFC enforcement actions arising from related incidents (Note 5).

End

Notes:

1. Chun is a licensed representative under the Securities and Futures Ordinance (SFO) to carry on Type 1 (dealing in securities) regulated activity.
2. The SFC has banned commission rebate schemes for trading in derivative warrants since March 2006.
3. TCY is a licensed corporation under the SFO to carry on Type 1 (dealing in securities) regulated activity.
4. For details, please see SFC press releases dated [19 March 2009](#) and [31 March 2010](#).
5. For details, please see SFC press releases dated [13 May 2010](#), [31 March 2010](#), [2 November 2009](#), [19 August 2009](#), and [19 March 2009](#).

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