

SFC suspends Chen Chi Hing

31 Oct 2013

The Securities and Futures Commission (SFC) has suspended Mr Chen Chi Hing for eight months from 26 September 2013 to 25 May 2014 (Note 1).

The disciplinary action follows an SFC investigation into Chen's conduct which found that Chen was called by a client who said he wanted to "play around" with a particular stock because he noticed that a small bid order would have a substantial impact on the nominal price. The client then placed an order for 10,000 shares "to play around" (Note 2).

The order caused the price of the shares to increase by more than twofold. Although the share price quickly returned to the normal level, Chen should not have executed an order of this kind without asking the client questions to determine whether the client had a genuine purpose for buying the shares or whether the order was intended to create undue volatility in the stock.

The SFC also found that Chen failed to provide complete information on the reasons for the client's order to his employer for its response to an enquiry from Hong Kong Exchanges and Clearing Limited.

As the SFC has stated on previous occasions, account executives must query their clients on suspicious orders. If the client's explanation is not reasonable, account executives should refuse to execute the order and report the matter to the management of the licensed corporation, and to the SFC where appropriate (Note 3).

End

Notes:

1. Chen was accredited to BOCI Securities Limited between 4 January 2006 and 12 April 2013 to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 3 (leveraged foreign exchange trading) regulated activities under the Securities and Futures Ordinance.
2. The client is not in Hong Kong and his present location is unknown.
3. Please refer to the [April 2007](#) issue of the SFC Enforcement Reporter, and the SFC's press releases dated [20 December 2007](#), [14 April 2009](#), [30 July 2009](#) and [21 December 2009](#).
4. A copy of the [Statement of Disciplinary Action](#) in relation to the matter is available on the SFC website.

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STATEMENT OF DISCIPLINARY ACTION

The Disciplinary Action

1. The Securities and Futures Commission (**SFC**) has suspended Mr Chen Chi Hing (**Chen**)¹ for a period of eight months pursuant to section 194 of the Securities and Futures Ordinance (**SFO**).
2. The SFC found that, while acting in his capacity as a licensed representative accredited to BOCI Securities Limited (**BOCI**), Chen had:
 - (a) accepted a client's order instruction after the client indicated that he intended to inflate the share price of the stock with the order; and
 - (b) failed to provide complete information on the reasons for the client's order to his employer for its response to an enquiry from the Hong Kong Exchanges and Clearing Limited (**HKEx**).

Summary of Facts

3. Chen was an account executive of BOCI responsible for receiving and placing clients' orders. On 22 November 2011, a client placed an order with Chen, causing the share price of a stock to increase by more than twofold. The share price quickly returned to the normal level.
4. At the telephone call during which the order was placed, the client said to Chen that he wanted to "play around" with a particular stock because he had noticed that a small bid order would have substantial impact on the nominal price. The client then placed a bid order for 10,000 shares at a price that was significantly higher than the prevailing nominal price of the shares "to play around".
5. Chen accepted the order instruction and placed the order to his colleague for execution without verifying the order with the client or asking the client any questions.
6. When BOCI sought information on the trade from Chen for the purpose of responding to HKEx's enquiry, Chen did not inform BOCI that the client said that he wanted to inflate the share price when he placed the order.

Conclusion

7. General Principle 2 (Diligence) of the Code of Conduct requires licensed persons to act with due skill, care and diligence, in the best interests of their clients and the integrity of the market, when conducting their business activities.
8. Having considered all the circumstances, the SFC is of the view that Chen's conduct was in breach of General Principle 2 (Diligence) of the Code of Conduct and called into question his fitness and properness to remain licensed. Accordingly, the SFC has decided to take the disciplinary action against Chen described in paragraph 1 above.

¹ Chen was accredited to BOCI Securities Limited between 4 January 2006 and 12 April 2013 to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 3 (leveraged foreign exchange trading) regulated activities under the Securities and Futures Ordinance.

9. In deciding the appropriate sanction, the SFC has taken into account all relevant considerations, including:
- (a) Chen's failure in the handling of the order had prejudiced market integrity as the price of the shares was artificially inflated;
 - (b) Chen was experienced in the industry at the relevant time; and
 - (c) Chen has no disciplinary record.