

# Regulators Take Action Against Yardley Securities Limited, Yardley Futures Limited, Mr Chan Kin Sun and Mr Leung Tak Shing

30 Oct 1997

The Securities and Futures Commission (the Commission) today announced that it had taken disciplinary action against Yardley Securities Limited (YSL) and its dealing director Mr Chan Kin Sun (Mr Chan) for misconduct on the grounds of their failure to properly supervise staff and to ensure effective internal control and procedures were in place in YSL, breaching the registration requirements by facilitating unregistered dealing and trading malpractices by Mr Chan.

The Commission has also disciplined Mr Leung Tak Shing (Mr Leung) a director of YSL for misconduct on the ground that he failed to properly supervise staff and to ensure effective internal control and procedures were in place in YSL and breached the registration requirements by facilitating unregistered dealing.

The disciplinary action resulted from an investigation by the Commission into the operations of YSL's securities business in which it was found that during the period 1990 to January 1996 when Mr Chan was the majority shareholder and had the ultimate control of YSL and its predecessor Chan Kin Sun trading as Yardley Securities Company, there were failures in YSL in that Mr Chan:

- i) failed to properly supervise staff of YSL and to ensure effective internal control and procedures were put in place in YSL resulting in trading malpractices and misappropriation of client funds by staff and short selling by clients;
- ii) knowingly breached the registration requirements of the Securities Ordinance by facilitating unregistered dealing by persons not registered with the Commission, in particular by an undischarged bankrupt; and
- iii) personally engaged in trading malpractices.

Mr Leung was a director of YSL at the time responsible for YSL's internal control and procedures and it was found by the Commission that he has also:

- i) failed to properly supervise staff of YSL and to ensure effective internal control and procedures were put in place in YSL resulting in trading malpractices and misappropriation of client funds by staff and short selling by clients; and
- ii) knowingly breached the registration requirements of the Securities Ordinance by facilitating unregistered dealing by persons not registered with the Commission.

In view of the findings the Commission has suspended the registration of Mr Chan as a dealing director for 30 months effective from 1 November 1997 and publicly reprimanded YSL and Mr. Leung.

In deciding on this action the Commission takes into account that:

- a) With effect from 1 November 1997 Mr Chan will resign from all his positions in YSL and all related entities that he controls and will take no further part in the day to day operations and management of YSL and all the other related entities;
- b) YSL has undertaken to appoint a firm of accountants approved by the Commission to conduct periodic audit reviews of YSL's systems and procedures. These reviews will be conducted over a two-year period and the accountants will make reports and recommendations directly to the Commission and YSL has agreed to implement any recommendations made; and
- c) YSL will appoint a person acceptable to the Commission to take full responsibility for the corporate compliance functions at YSL.

Mr Chan is also a majority shareholder and registered commodities dealer of Yardley Futures Limited (YFL). As a result of the findings made by the Commission in respect of Mr Chan's conduct as a securities dealer, Mr Chan's registration as a commodities dealer under the Commodities Trading Ordinance has also been suspended for 30 months as his fitness and properness has been impugned.

In addition YFL has been publicly reprimanded in that its fitness and properness has also been impugned because of Mr Chan's conduct.

Commenting on the suspensions and public reprimands, Mr Mark Dickens, Executive Director of Enforcement said, "The Commission will continue to take strong action against registered intermediary who fails to ensure its business is operated in accordance with regulatory requirements. All registered persons must ensure at all times that they have effective internal control procedures and operational capabilities to protect their operations and their clients from financial loss arising from theft or fraud and other dishonest acts or misconduct".

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