

SFC Revokes the Registrations of Foreground Securities Company Limited and Mr Yick Ming Kit

29 Nov 2001

SFC announced that the registrations of Foreground Securities Company Limited (Foreground) and Mr. Yick Ming Kit (Yick) as dealers under the Securities Ordinance (SO) have been revoked.

The revocations follow a decision made by the Securities and Futures Appeals Panel (SFAP).

The SFC conducted an inquiry against Foreground and Yick, the sole accredited dealer of the company at the material time. The inquiry gave rise to the following grounds of concern:

In respect of Foreground

- a) preferential return of clients' securities in relation to one particular client;
- b) failure to return securities, cash deposits and proceeds on disposals of securities to clients on 4 occasions;
- c) breach of section 81 of the SO by pledging a client's shares without authority;
- d) breach of section 84 of the SO in not properly keeping its trust account; and
- e) breach of the Financial Resources Rules in not complying with the liquid capital requirement for a prolonged period .

In respect of Yick

Yick, while acting as the sole accredited dealer of Foreground and being wholly responsible for its business:

- a) had not acted honestly and fairly and in the best interests of clients;
- b) failed to properly manage the financial position of Foreground; and
- c) failed to effectively and properly manage and supervise Foreground's business, thus resulting in Foreground's misconduct.

In view of the above, the SFC concluded that both Foreground and Yick had been guilty of misconduct and their fitness and properness to be registered as dealers under the SO had been seriously impugned and decided to revoke their registrations as dealers under section 56 of the SO.

Both Foreground and Yick appealed to the SFAP against the SFC's decision to revoke their respective registrations as dealers. The SFAP hearing the matter dismissed Foreground's appeal on the basis that the company was subsequently wound up by the Court and that the liquidators of Foreground did not wish to continue with the company's appeal (as it was considered not to be beneficial to the creditors nor the winding up of Foreground). In relation to Yick's appeal, the SFAP found (among other things) that Foreground had continuously breached the Financial Resources Rules for a prolonged period and that Yick was responsible for Foreground's state of affairs in his capacity as the sole dealing director. Accordingly, Yick was found not to be a fit and proper person to be registered. The SFC's decision to revoke both Foreground's and Yick's registrations as dealers was thus confirmed by the SFAP.

An SFC spokesman said: "The possession of adequate financial resources is a crucial basis to enable sound operation of a registered person's business. The SFC will not tolerate any prolonged deficiency in liquid capital requirement and will take appropriate action. Furthermore, the SFC also regards proper internal control procedures and good financial and operational capabilities as important to protect a registered person's operation and its clients. It is incumbent that the supervisory directors exercise effective management and supervision over the business operation to safeguard clients' interest."