

SFC Reprimands Galaxy Asset Management (H.K.) Limited and Suspends the Registrations of Mr Chan Man Fai Joe

10 Dec 2001

The Securities and Futures Commission (SFC) announced today that it had:

- reprimanded Galaxy Asset Management (H.K.) Ltd. (Galaxy), a company registered as a dealer and an investment adviser under the Securities Ordinance (SO), and
- suspended the registrations of Mr. Chan Man Fai, Joe (Chan) as a dealer and an investment adviser under the SO, and a commodity trading adviser under the Commodities Trading Ordinance (CTO), for a period of one month.

The actions were taken following inquiries conducted under section 56 of the SO and section 36 of the CTO which revealed that Galaxy had:

- (i) breached the requirement of section 6(1) of the Financial Resources Rules (FRR) in failing to maintain the required level of liquid capital during the period from December 1998 to June 1999;
- (ii) breached a condition imposed on its registration during the period from November 1998 to August 2000 in providing investment advice to an associated company; and
- (iii) failed to implement proper internal control and compliance system.

With regard to Chan, the SFC found that he had:

- (i) as the sole supervisory director of Galaxy during the relevant time, failed to discharge his functions properly in managing and supervising Galaxy's operations; and
- (ii) as a director of an associate company of Galaxy, failed to ensure that the said company was properly registered under section 49 of SO before carrying out investment advisory activities in Hong Kong or holding itself out as such.

In light of these findings, the SFC concluded that the fitness and properness of Galaxy and Chan as registered persons had been impugned.

In deciding the appropriate penalty, the SFC had taken into account the following:

- Galaxy's clients did not appear to have suffered any loss as a result of its breaches;
- Galaxy and Chan cooperated fully with the SFC during the course of the Commission's inspection; and
- Galaxy had implemented remedial measures to prevent future breaches and rectified the deficiencies in its internal control as recommended by its auditors.

An SFC spokesman said: "We remind all registered persons to ensure compliance with all applicable rules, guidelines and conditions imposed on their registrations. The Commission attaches great importance to registrants' observance of their obligations and will take appropriate measures to stamp out breaches."

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