

SFC Reprimands Sun Growth Securities Limited, its Dealing Directors Mr Ng Kei Choy Stephen and Mr Kao Wing Lun and its Representative Mr Lau Yee Tak

18 Apr 2002

The Securities and Futures Commission (SFC) announces today that it has reprimanded Sun Growth Securities Limited (Sun Growth), Mr Ng Kei Choy Stephen (Ng), Mr Kao Wing Lun (Kao) and Mr Lau Yee Tak (Lau), all registered persons under the Securities Ordinance.

The reprimand follows an inquiry into a complaint made to the SFC about the unauthorized operation of the complainant's account by a client of Sun Growth during the period from August 1994 to March 2000. The inquiry revealed that the internal control systems and supervision of staff at Sun Growth were inadequate and ineffective to protect its operations and clients from the apparent dishonest acts of a client. In particular, Sun Growth:

- failed to ensure that Lau established the true and full identity of each of his clients and collected the essential client information such as their financial situation, investment experience and investment objectives;
- allowed a client to place orders for other clients introduced by that client to the company without obtaining proper authorization from the clients concerned;
- allowed a client to operate the accounts of another client without obtaining proper authorization from the client concerned; and
- allowed the mailing address of a client to be changed without obtaining proper authorization from the client concerned.

The failure on the part of Ng and Kao, the dealing directors of Sun Growth, to closely monitor Sun Growth's operations had called into question their abilities to carry out their functions as registered dealers in a fair and efficient manner. Lau's failure to know his clients and to obtain proper authorization from clients fell short of the standards expected from a registered representative.

The SFC concluded that the fitness and properness of Sun Growth, Ng, Kao and Lau had been impugned and decided to publicly reprimand them. In deciding on this course of action, the SFC has taken into account that Sun Growth had taken measures after the event to improve its operations and engaged a firm of accountants to review its operations and internal control systems.

An SFC spokesman said: " All registered persons should ensure at all times that they have satisfactory internal control procedures and financial and operational capabilities which can protect their operations, their clients and other registered persons from financial loss arising from theft, fraud, and other dishonest acts, professional misconduct or omissions. Registered persons are also reminded that they should not effect a transaction for a client unless prior approval or authorization has been obtained from the client. The SFC will treat any such breaches seriously."