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## SFC Reprimands Vermont Securities for Regulatory Breaches

18 Oct 2002

The SFC has reprimanded Vermont Securities Company Limited.

The action follows an inquiry into Vermont's conduct which revealed that:

- Vermont had on several occasions breached undertakings to the SFC concerning the credit control procedures in respect of its margin client accounts; and
- there were numerous apparent deficiencies in Vermont's operations and internal control systems and breaches of relevant rules and regulations on Vermont's part, such as the repledging of stocks in cash clients' accounts without authority and unapproved employee dealing, as identified during the SFC's inspection of its business operations.

In light of these findings, the SFC concluded that Vermont had been guilty of misconduct and its fitness and properness as a registered person had been seriously called into question.

The SFC, however, acknowledges that the two dealing directors who were primarily responsible for the supervision of Vermont's operations at the material time have departed.

Mr Alan Linning, Executive Director of Enforcement, said: "We attach great importance to registrants' undertakings which are designed to protect the interests of the investing public and save a registrant from more drastic regulatory action. We take failure to observe such undertakings very seriously."

"Internal control failings and regulatory breaches when added together in one brokerage may also be serious and we will continue to discipline firms that fail to comply with relevant regulations or have poor internal controls," he said.

Vermont is a company registered as a securities dealer under the Securities Ordinance.

Page last updated : 1 Aug 2012