

SFC Reprimands Ho Yuk Ching, Kitty for Circumventing the Exchange Trading Rule, Distorting the Price Mechanism of a Stock and Failing to Keep Records of Orders

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The SFC has reprimanded Ms Ho Yuk Ching, Kitty, an employee of UOB Kay Hian (Hong Kong) Ltd.

The reprimand followed an inquiry in which the SFC found that on 26 July 2002, Ho placed bid orders in single board lots of 2,000 shares of Jinhui Holdings Company Ltd at a price eight spreads below the then prevailing nominal price. After placing these orders, a larger size bid order four further spreads below was placed. Afterwards, Ho immediately cancelled the single board lot orders. As a result, the bid price was depressed by 12 spreads.

Ho repeated this order pattern several times. In one instance, successive orders depressed the bid price by 16 spreads.

The SFC found that the orders were placed to circumvent the spirit of a Hong Kong Exchange trading rule, which provides for ask or bid prices within eight spreads of the prevailing orders. The manner in which Ho had placed the bid orders distorted the price mechanism of Jinhui shares in that her cancelled orders were not genuine and were only intended to enable her to place much larger bid orders at lower prices than the HKEx rule allowed.

Further, Ho was found to have breached UOB's internal procedures by failing to keep a record of the orders cancelled. As a result of Ho's omission, UOB was unable to suitably monitor her activities.

The SFC concludes that Ho has been guilty of misconduct and that her fitness and properness has been called into question.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "The quick input and cancellation of the orders might have led the market to believe that buyers were vanishing quickly and bid prices were lowering in tandem. Sellers might be encouraged into prompt action resulting in a sharp decline of the share price. This might have contributed to the market panic on 26 July 2002. Ho's act reflected that she had no regard for her duty to act in the best interests of market integrity and she deserves a reprimand."

Ho is a licensed representative accredited to UOB Kay Hian (Hong Kong) Ltd, UOB Kay Hian Asia Ltd and UOB Kay Hian Futures (Hong Kong) Ltd under the Securities and Futures Ordinance.

Ends