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## SFC Fines and Reprimands Man Hon Yeung Securities Limited and Reprimands Man Hon Yeung for Breaching the Financial Resources Rules

28 Jun 2005

The SFC has reprimanded Man Hon Yeung Securities Limited (MHYSL) and its responsible officer, Mr Man Hon Yeung. MHYSL has also been fined \$320,000 (Note 1).

MHYSL failed to maintain the required liquid capital on 32 occasions between September 2003 and February 2004, thereby breaching section 6 of the Securities and Futures (Financial Resources) Rules (FRR). The breaches were caused by MHYSL's margin lending to its clients for IPO subscriptions and over-trading of its margin clients. MHYSL's accounting staff were unfamiliar with the FRR requirements and failed to include MHYSL's short-term bank loans in its FRR computation.

At all material times, Man was a responsible officer of MHYSL responsible for the general management of MHYSL. He bears primary responsibility for MHYSL's failures.

In deciding on the penalty, the SFC has taken into account the Disciplinary Fining Guidelines (Note 2) and all the circumstances of the case including the following:

- the breaches were unintentional and resulted from the inexperience of MHYSL's accounting staff;
- MHYSL volunteered to provide the SFC with the details of its liquid capital deficiencies;
- Man immediately injected sufficient liquid capital into MHYSL as soon as he was informed by the SFC of the FRR deficiencies; and
- MHYSL and Man co-operated with SFC's investigation and frankly admitted their responsibilities.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "This case is a good example of why it is important for both the management and the accounting staff of licensed corporations to have a good grasp of the FRR requirements. MHYSL's liquid capital deficiencies might have been avoided had Man and his subordinates paid proper heed to the relevant legislation and SFC circulars regarding FRR requirements."

"FRR compliance is vital to ensuring that a licensed corporation is adequately capitalised and can therefore meet its obligations to clients, other market participants and creditors. This is essential to the stability of the industry as a whole," Mr Linning added.

Ends

Notes:

1. MHYSL and Man are licensed to carry on business in Type 1 (dealing in securities) regulated activity.
2. The Disciplinary Fining Guidelines were issued by the SFC in March 2003 under section 199(1)(a) of the Securities and Futures Ordinance.

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