

## SFC Reprimands Henyep Securities Limited, Chiu Sin Wan Simon and Ng Yiu Man for Internal Control Failures with Chiu Making a Voluntary Payment

14 Sep 2005

The SFC has reprimanded Henyep Securities Limited, Mr Chiu Sin Wan Simon and Mr Ng Yiu Man under the Securities and Futures Ordinance (Note 1). In addition, Chiu made a voluntary payment of \$57,000. The reprimand and payment are the result of a settlement between the parties and the SFC. The SFC considers the settlement to be in the public interest and in the interests of investors.

The reprimand and payment stemmed from an inquiry into a case reported to the SFC by Henyep in May 2003 in which a former employee of Henyep was accused of stealing a client's stocks valued at around \$1.47 million since 1997 (Note 2).

Independent auditors appointed at the SFC's request to investigate Henyep found that Henyep had internal control problems. Address proofs and written authorisations to effect changes in client information were lacking. Henyep did not directly contact the client for a long overdue balance in the client's accounts to verify and assess the existence and recoverability of the debts. Trading and settlement activities of overdue accounts and accounts with enormous turnover were not closely monitored. The payee of certain cheques for the sale proceeds in the client's account was changed from the client to Henyep's finance company while some other cheques payable to the client were cancelled with the money credited to the client's account for settlement purposes, all seemingly without the client's authorisation. Henyep also lacked documented complaint handling procedures. Chiu was the managing director and Ng was the chief accountant at Henyep at the material time.

The SFC found that each of Henyep, Chiu and Ng had failed to carry out their functions to the standards expected of them. As a result, the SFC concludes that their fitness and properness has been called into question and decides to reprimand them. Chiu has also made a voluntary payment. The SFC noted that they were co-operative and reported the matter to the SFC at an early stage. The SFC will pay the sum to the government revenue.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "A dealer has a duty to ensure that it has internal control measures to prevent misconduct by staff and that such measures are properly implemented and monitored. Henyep, Chiu and Ng failed to monitor the trading and settlement activities of the client's accounts, which had sizable transactions and outstanding balances. As a result, both Henyep and the client suffered losses. Lax internal controls facilitate employees' misconduct and prejudice the interests of both clients and firms."

Ends

Notes:

1. Henyep Securities Limited, Chiu Sin Wan Simon and Ng Yiu Man are all licensed under the Securities and Futures Ordinance to carry on business in Type 1 (dealing in securities) regulated activity.
2. The employee left the industry in May 2003 and the SFC has no jurisdiction over him. The Police is investigating the alleged theft.

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