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SFC Suspends Lau Pak Tong for Breaching the Know-Your-Client Rule

7 Oct 2005

The SFC has suspended Mr Lau Pak Tong for five weeks from 7 October 2005 to 10 November 2005 for breaching the know-your-client rule (Note 1). The suspension is the result of a settlement between the SFC and Lau.

The SFC commenced an inquiry after a routine inspection had revealed that 15 of Lau's clients had authorised the same person to collect their statements of account.

The SFC found that one of the 15 accounts was opened in the name of Lau's niece. However, his niece had no beneficial interest in the account. The account was in fact beneficially owned by Lau's parents. Further, while Lau's niece was a student with no income, she was described in her account opening form as a financial consultant with an annual income of more than \$200,000.

By opening the account in the name of his niece in these circumstances, Lau deceived his employer about the identity of the ultimate beneficial owners of the account. He hid from his employer information about the ultimate beneficial owners' identity, occupation, financial situation and background, and recorded wrong information about his niece.

Lau also lent money to another client for settlement purposes. By settling the client's account balances with his own money without his employer's approval, he breached his employer's settlement rules. He also breached the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission, which requires licensees to try to avoid conflicts of interest, as the loans to his client meant that he became personally interested in the client's transactions.

The SFC concludes that Lau has been guilty of misconduct and his fitness and properness has been called into question. In deciding the penalty, the SFC has taken into account Lau's agreement to resolve the disciplinary action by settlement, which saved the SFC's resources. The SFC considers the settlement to be in the interest of the investing public and in the public interest.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "Compliance with the know-your-client rule cannot be taken lightly. Serious market misconduct very often starts with what may appear to be basic and innocuous breaches of this nature. Taking care to comply with these basic rules helps avoid unnecessarily attracting suspicion of complicity in others' misconduct. Licensees must be alert to the seriousness with which we view such breaches, especially where harm results."

Ends

Note:

1. Lau is a deemed licensed representative accredited to Get Nice Investment Limited and Get Nice Futures Company Limited, and is licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 5 (advising on futures contracts) regulated activities.

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