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SFC Suspends Kung Chiu Nam Edmond for Providing Misleading Information to SFC and Lending His Account to Another Licensee For Personal Use

16 Nov 2005

The SFC has suspended Mr Kung Chiu Nam Edmond, a former responsible officer of CNK Investment Management Limited, for 20 months from 16 November 2005 to 15 July 2007 (Note 1).

The case stems from an investigation into the trading activities of the listed securities of HKCB Bank Holdings Company Limited (HKCBH) and Hong Kong China Limited (HKC) in 1997, which resulted in the commencement of an insider dealing inquiry in November 2000. On 10 March 2005, the Insider Dealing Tribunal (IDT) unanimously found that Mr Leonard Carlton Poon and his wife, Ms Kong Yuen Kwan Jenny, had engaged in insider dealing in the listed securities of HKCBH and HKC in May 1997 (Note 2).

During the investigation, the SFC found that there had been purchases of HKC warrants in Kung's account at Worldsec International Limited in May 1997. The SFC interviewed Kung twice in May and August 1998 respectively, and Kung informed the SFC that the HKC warrants belonged to him and that it had been his decision to purchase the warrants.

After Kung was informed in early 2001 that he had become an implicated person in the insider dealing inquiry, he revealed to the SFC and the IDT that he had lied to the SFC in the two interviews (Note 3). Kung admitted that Poon, who was a director of Worldsec and an SFC licensee at the relevant time, had asked him to lend his account to Poon for personal trades (Note 4). Poon used Kung's account to purchase HKC warrants. Kung also admitted that, when he was interviewed by the SFC, he had lied to the SFC at the request of Poon (Note 5).

The SFC considers that Kung has breached the Code of Conduct by lying to the SFC and lending his securities account to another licensed person for personal use. The SFC concludes that Kung has been guilty of misconduct and his fitness and propriety has been called into question.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "People who are interviewed by the SFC have a statutory duty to provide true and complete answers. It is a criminal offence to provide false and misleading information to the SFC. In addition, licensees who lie to the SFC may also be subject to disciplinary action. This case is further aggravated by Kung lending his securities account to Poon. Kung should have known that Poon, as an analyst and a licensed person, could only trade under the monitoring of Poon's employer and that Poon probably intended to use Kung's account to avoid such monitoring. Kung's lending of his account and his failure to make enquiries with Poon as to the use of the account facilitated Poon's misconduct."

Ends

Notes to Editor:

1. CNK Investment Management Limited and Kung are licensed to carry on Type 9 (asset management) regulated activity. Kung resigned his position as a responsible officer of CNK on 7 October 2005. He is currently not accredited to any licensed corporation.
2. Please visit the website of the Insider Dealing Tribunal at www.idt.gov.hk for details.
3. The IDT found that Kung was not an insider dealer.
4. Leonard Carlton Poon resigned from his previous employer, UOB Kay Hian (Hong Kong) Limited, with effect from 1 July 2005. His deemed licence lapsed on the same day and is no longer licensed by the SFC. The SFC can no longer take any disciplinary action against Poon but he has to address the SFC's concerns about him if he ever re-applies for a licence.
5. The IDT has referred this issue to the Police for investigation.

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