

SFC Reprimands and Fines Sun Growth Securities Limited, Ng Kei Choy Stephen and Kao Wing Lun for Breaching the Code of Conduct

24 Apr 2006

The SFC has reprimanded Sun Growth Securities Limited, its responsible officers Mr Ng Kei Choy Stephen and Mr Kao Wing Lun, and fined them \$120,000, \$221,000 and \$64,000 respectively for breaching the Code of Conduct. The reprimands and fines are the result of a settlement between Sun Growth, Ng and Kao and the SFC (Note 1).

The SFC received a complaint in July 2003 relating to the alleged misappropriation of client funds by an ex-account executive of Sun Growth. After investigation, the SFC found that Sun Growth's internal controls were deficient in the following manner:

- Lack of a well defined and segregated function for each department;
- Insufficient guidelines to and supervision of staff in dealing procedures;
- Insufficient cross checking of account opening documentation for new clients and subsequent change of client details;
- Failure to provide a copy of the Client Agreement to clients and failure to keep track of and update records and documentation of clients; and
- No formal procedure to handle clients' complaints.

In deciding the penalty, the SFC has taken into account the Disciplinary Fining Guidelines (Note 2) and the following:

- Clients suffered losses as a result of misconduct of the former account executive of Sun Growth;
- Sun Growth has undergone various rounds of internal control review by external auditors and has adopted the recommendations given; and
- Sun Growth, Ng and Kao co-operated with the SFC in settling the disciplinary action.

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: "We take all cases of misappropriation or alleged misappropriation of client monies extremely seriously. Such activities undermine the strength and confidence the investing public places in our system of licensed corporations and brokers. Sun Growth's internal controls were severely lacking and the ultimate responsibility lay with the responsible officers to put in place the very best possible checks and balances. Those who fail to do so will be held accountable to us and will face disciplinary sanction. All licensed corporations must be vigilant at all times to misappropriation and other fraudulent acts."

Ends

Notes:

1. Sun Growth is licensed under the Securities and Futures Ordinance to carry on business in Type 1 (dealing in securities) regulated activity. Ng and Kao are both responsible officers accredited to Sun Growth and licensed to carry on Type 1 (dealing in securities) regulated activity.
2. [The Disciplinary Fining Guidelines](#) are available on the SFC website at www.sfc.hk.

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