
Enforcement News

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19 December 2007

SFC Takes Action against Richard Howard Gorges

The SFC has revoked its approval of Mr Richard Howard Gorges to act as a responsible officer of any licensed corporations, suspended his Type 6 licence for 18 months from 29 November 2007 to 28 May 2009 and fined him \$250,000 (Note 1).

The SFC's investigation found that Gorges was not familiar with the internal control structures of three companies of which he was a responsible officer, and failed to properly, actively and diligently supervise the performance of duties by those to whom he had delegated them. The SFC found that Gorges' failures contributed to the breaches and failures of these companies:

- from July to October 2003, South China Research failed to enforce its staff dealing policy to avoid conflicts of interest arising;
- from May 2002 to October 2003, South China Securities failed to comply with the Financial Resources Rules under the Securities Ordinance and the Securities and Futures (Financial Resources) Rules (collectively FRR), the Securities and Futures (Client Money) Rules (CMR); and
- from October 2002 to October 2003, South China Capital failed to adequately carry out its due diligence responsibilities when acting as the sponsor of a listing applicant for listing on the Growth Enterprise Market (Note 2) and to ensure representations made to regulators were true, accurate, complete and not misleading in a material aspect.

In deciding the sanction, the SFC has taken into account: (i) Gorges had no disciplinary history; (ii) his co-operation by consenting to the SFC disciplinary

action; (iii) his neglect as a responsible officer contributed to the failures by the three companies; (iv) the degree of his neglect; (v) he was part of the senior management of the companies and his experience within the industry; (vi) the FRR and CMR breaches took place over a lengthy period; and (vii) the remedial steps taken by the companies once breaches were suspected and that an auditor was engaged to review FRR and CMR compliance.

Ends

Notes:

1. Gorges is licensed under the Securities and Futures Ordinance to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities. Gorges is a responsible officer and accredited to South China Capital Limited, South China Commodities Limited, South China Fund Management Limited, South China Research Limited and South China Securities Limited.
2. The listing application was eventually rejected by The Stock Exchange of Hong Kong.

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