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## Enforcement News

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29 January 2008

### **Hong Kong Forex Investment Limited Suspended**

The Securities and Futures Appeals Tribunal has made an interim order to suspend Hong Kong Forex's licence (Note 1) from 4.00 am on 30 January 2008 (Wednesday) Hong Kong time until the determination of an appeal in a related case to be heard by the SFAT on 15 and 16 July 2008 (the interim order).

The interim order was made yesterday by the Chairman of the SFAT, The Hon Mr Justice Stone, in an application by Hong Kong Forex to review a decision by the SFC to revoke its licence (Note 2).

The SFC's decision followed findings that Hong Kong Forex had failed repeatedly to implement reasonable and effective measures to prevent unlicensed activities by its staff despite warnings and earlier actions by the SFC (Note 3) and, as a consequence, its licence should be revoked.

Hong Kong Forex does not dispute there were repeated failings of this kind but argues that the circumstances do not deserve revocation of its licence. Hong Kong Forex proposed a suspension of one month and a fine. The SFAT rejected this alternative and decided:

- to impose an immediate effective suspension of five and a half months; and
- to stay the SFC's decision to revoke Hong Kong Forex's licence until further hearing on 15 July 2008.

Hong Kong Forex today sought an urgent stay of the interim order in the Court of Appeal. In a hearing late this afternoon, the Court of Appeal rejected that application.

#### **Suspension Arrangements**

The interim order means, as from 4.00 am tomorrow (Wednesday) and until 15 July 2008, Hong Kong Forex will be unable:

- to conduct any leveraged foreign exchange business for new clients; or
- to accept and execute new orders from existing clients.

The SFC and Hong Kong Forex have discussed arrangements for the management of the suspension of its licensed activities including arrangements that will ensure existing clients with outstanding positions will not be prejudiced. The arrangements include:

- the continuation of Hong Kong Forex's licensed activities for 60 days to ensure client money is returned and clients' positions can be closed in an orderly fashion;
- communication with staff, clients and the general public; and

- ongoing monitoring by and communication with the SFC.

Clients who wish to find out more details can contact Hong Kong Forex on the following hotlines: 3180 8911, 3180 8912, 3180 8913, 3180 8914 or 3180 8915.

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Notes:

1. Hong Kong Forex is licensed under the Securities and Futures Ordinance to carry on Type 3 (leveraged foreign exchange trading) regulated activity.
2. Under the SFO, the SFC is empowered to impose disciplinary sanctions against firms and individuals who are licensed by the SFC. If the SFC decides to impose a disciplinary sanction on a licence-holder, the sanction does not start to operate until the person has been given a chance to ask for a review of the decision by the SFAT. The SFAT is an independent body chaired by The Hon Mr Justice Stone, a High Court judge. The SFAT conducts an independent hearing of the case and is able to confirm the SFC's decision or to make a new decision based on the evidence before it.
3. Between 2004 and 2007, there have been nine criminal convictions against Hong Kong Forex and its staff (including convictions of staff employed by a related company, Sincere Bullion Limited, whose conduct was carried out in association with Hong Kong Forex). The SFC has also twice publicly reprimanded Hong Kong Forex for similar activities.

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