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## Enforcement News

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24 March 2009

### **Hong Kong Forex's licence revoked**

The Securities and Futures Appeals Tribunal (SFAT) has confirmed the Securities and Futures Commission's (SFC) decision to revoke the licence of Hong Kong Forex Investment Ltd (Hong Kong Forex) (Note 1).

This was the first time the SFC has exercised its disciplinary power to revoke the licence of a corporation.

After reviewing the SFC's decision, the Honourable Mr Justice Stone said: "At the end of the day, it is clear that the SFC took the view, upon entirely justified grounds, that it had lost all confidence in Hong Kong Forex and in its ultimate controlling shareholder, Tse Shiu Hoi, and that the sanction of revocation was both appropriate and necessary in the public interest. The regulator carefully considered the whole case, including its extensive history, and in the exercise of its discretion came to a decision with which this Tribunal emphatically declines to interfere upon this application."

The SFAT also confirmed the SFC's decision to ban Hong Kong Forex's major shareholder, Tse Shiu Hoi, from re-entering the industry for life and to prohibit Eddie Ng Chit Chung, Hong Kong Forex's former responsible officer, from becoming licensed or registered for a period of three years.

The SFC's decision was based on the findings that there had been a complete failure of compliance systems and controls within Hong Kong Forex especially in relation to unlicensed activities and cold calling. The SFC contended that Hong Kong Forex and its senior management facilitated, encouraged and turned a blind eye to continuing misconduct for the benefit of Tse (Note 2).

The Honourable Mr Justice Stone agreed and said in his determination that Hong Kong Forex "continued to embody a culture which is (or was) rotten to the core..."

"This was a bad case. Hong Kong Forex comprehensively failed the SFC's top down investigation test," said Mr Mark Steward, the SFC's Executive Director of Enforcement. "Senior management must lead and ensure high standards of conduct or risk losing the licence to carry on the business. Compliance belongs not only at the heart of business but also at the top of senior management's responsibilities," he added.

End

Notes:

1. Hong Kong Forex was licensed under the Securities and Futures Ordinance to carry on Type 3 (leveraged foreign exchange trading) regulated activity. See [press release](#) dated 29 January 2008 regarding the SFAT's decision to temporarily suspend Hong Kong Forex's licence and the Court of Appeal's refusal to interfere in the SFAT's interim suspension order upon Hong Kong Forex's application to the Court of Appeal for a stay of execution of the interim suspension.
2. Between 2004 and 2007, there were nine convictions for unlicensed activities between 2001 and 2005 of Hong Kong Forex, its staff and other people, principally staff from a related company, Sincere Bullion

Ltd, who acted through Hong Kong Forex or its staff. In almost all of the cases, the Sincere Bullion staff paired up with Hong Kong Forex's licensed staff and funnelled leveraged foreign exchange trades to Hong Kong Forex or Tse's International Investment (Macau) Ltd, a related Macau company controlled by Hong Kong Forex's substantial shareholder, Tse Shiu Hoi. Tse's International Investment (Macau) was not licensed in Hong Kong, nor was it permitted to carry on leveraged foreign exchange trading in Macau under Macau law. Its operations were therefore illegal both in Hong Kong and in Macau. To recruit clients for its business, Tse's International Investment (Macau) could only operate under clandestine circumstances through agents with close connections to it.

3. The determination will be available on the website of the SFAT at [www.sfat.gov.hk](http://www.sfat.gov.hk).

Page last updated: 24 March 2009