

SFC revokes and fines Chan Wang Fai

8 Jun 2009

The Securities and Futures Commission (SFC) has revoked the licence of Mr Chan Wang Fai and fined him \$930,000 (Note1).

An SFC investigation revealed that Chan's client, a listed company, had instructed Chan to repurchase its own shares from the open market at a certain price in December 2007. After receiving the client's instruction, Chan traded in the company's shares via his girlfriend's accounts, but without her knowledge, on around 20 occasions between December 2007 and November 2008.

Chan bought the company's shares from the market at a slightly lower price than that prescribed by his client and subsequently sold them to his client at the prescribed price. Nearly all of the sell orders matched with the client's buy orders and were almost always at the highest price of the day. From the account statements, it was evident that Chan only traded in the company's shares on the days when his client repurchased its shares.

Chan profited approximately \$930,000 from the trades (equivalent to the fine imposed by the SFC).

The SFC found that Chan's conduct amounted to what is commonly known as "front-running" in which Chan mis-used confidential information about his client's trading intentions to make a profit and at his client's expense. Chan breached the fiduciary duty owed to his employer and client. Chan failed to act in the best interests of his client, the investing public and the integrity of the market.

In deciding on the penalty, the SFC has taken into account all the circumstances including Chan's co-operation at an early stage of the SFC's investigation.

End

Note:

1. Chan is licensed under the Securities and Futures Ordinance to carry on Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities. Chan is a responsible officer and accredited to First Shanghai Securities Ltd and First Shanghai Futures Ltd.

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