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SFC reprimands and fines Kam Fai Securities Company Ltd

22 Jul 2009

The Securities and Futures Commission (SFC) has issued a reprimand to Kam Fai Securities Company Ltd and fined it \$140,000 (Note 1) for non-compliance with the Code of Conduct (Note 2).

The SFC found that during the period between September and November 2008, 13 licensed representatives of Kam Fai (some of whom have since left Kam Fai), among them responsible officers, failed to comply with order recording requirements and to confirm trades promptly including:

- receiving clients' orders on mobile phone without immediately recording the time of the order and/or the order details;
- failure to activate the company's tape recording machine;
- use of a malfunctioning cassette tape recording machine;
- time stamping dealing tickets only after the execution of trades;
- recording the time of receiving clients' orders only on blotter manually; and
- allocation of trades based on the licensed representative's memory of the sequence and details of clients' orders as a result of the failure to confirm trades promptly.

In deciding on the penalty, the SFC took into account all the circumstances including:

- Kam Fai has taken remedial action and strengthened its internal controls by installing a centralised telephone recording system as soon as the SFC communicated to them regarding their failures;
- Kam Fai's clean disciplinary record; and
- Kam Fai's full co-operation with the SFC during the disciplinary stage.

"Order recording and prompt confirmation of client transactions are basic and fundamental requirements expected of licensees. The SFC has previously reminded licensees of the importance of complying with tape recording requirements and that non-compliance will be viewed seriously and may result in enforcement action," said Mr Mark Steward, the SFC's Executive Director of Enforcement (Note 3).

End

Notes:

1. Kam Fai is licensed under the Securities and Futures Ordinance to carry on business in Type 1 (dealing in securities) regulated activity.
2. Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.
3. Please see Circular to the SFC's Licensed Intermediaries dated 25 November 2004 for details.

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