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## SFC fines Fukoku \$2 million and suspends its responsible officer

25 Feb 2010

The Securities and Futures Commission (SFC) has reprimanded Fukoku Investment (Asia) Ltd (Fukoku) and fined it \$2,000,000 for failing to detect and stop an unlicensed firm from carrying out activities that appeared to be a boiler room scam (Note 1).

It has also revoked the approval granted to Mr Anthony Wong Kin Man to act as a responsible officer and suspended his licence for two years from 25 February 2010 to 24 February 2012 (Note 2).

The disciplinary action followed an SFC investigation which found that during the period between April and October 2008, Fukoku failed to detect and stop Peninsula Capital Ltd (PCL), an unlicensed entity, from operating apparent boiler room activities in its office premises and provided it with administrative support. In return, Fukoku received "finder's fees" totalling \$152,035.42 from three US companies backing PCL (Note 3).

Wong, as Fukoku's responsible officer, agreed to the stationing of PCL's staff in Fukoku's office premises.

PCL's operations resembled a boiler room scam. It set up an office in Hong Kong which targeted overseas investors. PCL promoted over the internet its three backers, which were little-known over-the-counter US stocks (Note 4), and used Fukoku as a front to give its operations a semblance of legitimacy.

It is not known how many investors had remitted money to PCL as a result of its activities (Note 5). PCL has ceased operations in Hong Kong and its operators have disappeared. On 17 March 2009, the SFC added PCL to its Alert List and warned investors of a possible scam.

"Boiler room scams, like these, are international scandals. Conduct like this can only damage Hong Kong's reputation as an international financial centre. A clear deterrent example must be set to demonstrate there is no place in Hong Kong for this kind of misconduct," said Mr Mark Steward, the SFC's Executive Director of Enforcement.

End

Notes:

1. Fukoku is licensed under the Securities and Futures Ordinance (SFO) to carry on Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities.
2. Wong is licensed under the SFO to carry on Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities.
3. The three US companies were International Building Technologies Group, Inc (IBTGI), NW Tech Capital, Inc (NW Tech) and PTS Group Ltd (PTS). Each had opened accounts with Fukoku. They entered into agreements with Fukoku and arranged for two expatriates to come to Hong Kong to run PCL's business in Fukoku's office premises. They regularly instructed Fukoku to debit "finder's fees" from their accounts to defray rental and other operational expenses incurred by PCL.
4. IBTGI, NW Tech and PTS were listed on the Over The Counter OTC Bulletin Board of the US. They were thinly traded stocks and their value had been close to zero since the second quarter of 2006 (IBTGI) and mid-2007 (NW Tech and PTS).
5. One such investor was an Australian who remitted US\$10,000 to PCL. Fukoku had not compensated any of the investors.

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