

SFC reprimands and fines Chang Wa Shan

2 Nov 2011

The Securities and Futures Commission (SFC) has issued a reprimand to Mr Chang Wa Shan and fined him \$200,000 (Note 1).

The decision follows an SFC investigation which found that the settlement supervisor of Taifair Securities Limited (Taifair), who was not licensed with the SFC, had misappropriated clients' assets (Note 2).

The investigation revealed that Taifair had a number of internal control deficiencies for which Chang, as a responsible officer, was partially responsible for, including:

- insufficient management supervision over daily operations – the settlement supervisor who misappropriated clients' assets was largely unsupervised, and management did not review a number of important reports concerning Taifair's daily operations;
- there was no compliance function set up at Taifair;
- there was no comprehensive manual that governed Taifair's daily operational policies and procedures; and
- weak data protection measures – access control to Taifair's computer brokerage system (the POP system) was weak, trading data in the POP system was susceptible to manipulation and audit logs in the POP system could be turned off such that manual modifications of data could be made without any audit trail (Note 3 and 4).

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

- the failures in primary internal controls are serious;
- Chang has seriously undervalued the importance of compliance function and internal controls at Taifair;
- Chang has caused Taifair to reimburse all affected clients and reported the matter to the SFC shortly after the discovery of the misappropriation;
- Chang is remorseful and Taifair, under his management, has already remediated its internal control failures by adopting the recommendations of the independent firm of accountants which conducted a review of its internal controls;
- Chang has co-operated with the SFC; and
- Chang has no disciplinary history with the SFC.

Taifair has compensated clients for all losses arising from the misappropriation.

End

Notes:

1. Chang 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 and was accredited to Taifair and Taifair Futures Limited. Chang is a responsible officer of Taifair.
2. The misappropriation is also under investigation by the police.
3. As a result of the same investigation, the SFC has already taken disciplinary actions against Taifair, Mr Peter Tam Man Chuen, an account executive of Taifair, and Mr Kwok Fai, a responsible officer of Taifair. Please see SFC's press releases dated [2 July 2010](#) and [15 August 2011](#) for details.
4. The SFC took disciplinary actions against Taifair, Chang and Kwok simultaneously but as Chang had made an application for review of the SFC's decision to the Securities and Futures Appeals Tribunal, which he subsequently withdrew, the decision against Chang only became effective upon the withdrawal of his application for review.

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