

SFC reprimands and fines Law Kwan Ming

26 Sep 2013

The Securities and Futures Commission (SFC) has reprimanded Mr Law Kwan Ming, a licensed representative of UOB Kay Hian (Hong Kong) Limited (UOB), and fined him \$50,000 for failing to make and keep a proper record of orders received by mobile phone (Note 1).

The disciplinary action follows an SFC investigation into client orders handled by Law at UOB on 2 September 2011. The SFC found that Law had accepted instructions from a client to buy 23 million shares of China Technology Solar Power Holdings Limited via his mobile phone. Law failed to make any record of his client's order instructions which was in breach of the Code of Conduct (Note 2).

The obligation to make and keep a proper record of all orders, especially those made via a mobile phone, in accordance with the obligation in the Code of Conduct is not a technical or trivial matter. This case demonstrates that the SFC will enforce this obligation when it is breached.

In deciding the penalty, the SFC took into account that Law has a clean disciplinary record.

End

Notes:

1. Law is currently licensed under the Securities and Futures Ordinance to carry on Type 1 (dealing in securities) regulated activities.
2. Paragraph 3.9 of the Code of Conduct for Persons Licensed by and Registered with the SFC requires a licensed or registered person to record and immediately time stamp records of the particulars of the instructions for agency orders. Where order instructions are received from clients through the telephone, a licensed person should use a telephone recording system to record the instructions and maintain telephone recordings as part of its records for at least six months (revision took effect on 1 December 2012). Where orders are accepted by mobile phones, the time of receipt and the order details should be recorded immediately (e.g. by a call to the office system or in writing by hand).
3. A copy of the [Statement of Disciplinary Action](#) in relation to the matter is available on the SFC website.

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STATEMENT OF DISCIPLINARY ACTION

The Disciplinary Action

1. The Securities and Futures Commission (**SFC**) has publicly reprimanded and imposed a financial penalty of HK\$50,000 on Mr Law Kwan Ming (Law)¹ pursuant to section 194 of the Securities and Futures Ordinance (**SFO**).
2. The disciplinary action is taken because Law failed to keep a proper audit trail of trade order instructions from a client in breach of General Principle 2 and paragraph 3.9 of the Code of Conduct for Persons Licensed by and Registered with the SFC (**Code of Conduct**).

Summary of Facts

Failure to keep records of client order instructions

3. On 2 September 2011, Law received a call from a client via his mobile phone at 1.27pm instructing him to buy 23 million shares in China Technology Solar Power Holdings Limited (CTSP) at a price below HK\$0.60 on the same day.
4. Law did not make any record of his client's order instructions. During his interviews with the SFC, Law changed his story several times as to the time he received his client's order instructions. Law also failed to provide any credible reason for his failure to record his client's order instructions.

Conclusion

5. General Principles 2 (diligence) of the Code of Conduct requires a licensed person to act with due skill and care and diligence, in the best interests of its clients and the integrity of the market.
6. Paragraph 3.9 of the Code of Conduct requires a licensed or registered person to record and immediately time stamp records of the particulars of the instructions for agency orders. Where order instructions are received from clients through the telephone, a licensed person should use a telephone recording system to record the instructions and maintain telephone recordings as part of its records for at least three months. Where orders are accepted by mobile phones, the time of receipt and the order details should be recorded immediately (e.g. by a call to the office system or in writing by hand)."
7. Having considered all the circumstances, the SFC is of a view that Law's conduct was in breach of General Principle 2 and paragraph 3.9 of the Code of Conduct and has called into question his fitness and properness to remain licensed.

¹ Law is licensed as a representative for UOB Kay Hian (Hong Kong) Limited ("UOB") to carry on Type 1 (dealing in securities) regulated activities under the Securities and Futures Ordinance (**SFO**).

8. The SFC has decided that the sanction of public reprimand and fine of HK\$50,000 is most appropriate and commensurate with the view of the SFC on the gravity of Law's misconduct.
9. In coming to the decision to take disciplinary action against Law, the SFC has taken into account that Law has a clean disciplinary record.