

## SFAT affirms SFC decision to suspend former responsible officer of China Securities Holdings Limited

26 May 2014

The Securities and Futures Appeals Tribunal (SFAT) has affirmed the decision of the Securities and Futures Commission (SFC) to suspend a former representative and responsible officer of China Securities Holdings Limited (China Securities) Mr Peter Leung for a period of one year from 23 May 2014 to 22 May 2015 (Notes 1, 2 & 3).

The disciplinary action against Leung follows an SFC investigation into the affairs of China Securities from 2007 to 2011 in which serious deficiencies in relation to order record keeping, employment of unlicensed dealing staff and supervision of its dealing functions were found. Disciplinary actions against China Securities and two of its responsible officers were taken in August and September 2013 (Note 4).

The SFC found that China Securities employed staff who were unlicensed as dealers to take order instructions from clients and to execute them on behalf of clients and permitted its dealing room to be operated by two unlicensed dealers without a responsible officer to supervise the dealing functions (Notes 5 & 6).

The SFC also reviewed the dealing records of China Securities from November 2009 to June 2011 and found that most if not all of China Securities' order tickets were not time stamped. As a result, the incomplete order records failed to enable trade executions to be traced through China Securities' system to identify for whose accounts those trades were executed (Note 7).

Leung was responsible for the order record failure and unlicensed activities of China Securities. In determining his level of penalty, the SFC took into account the role he played and his degree of responsibility in relation to the business operations of China Securities.

End

Notes:

1. Leung is licensed under the Securities and Futures Ordinance (SFO) to carry on Type 1 (dealing in securities) regulated activity. He is currently accredited to One China Securities Limited.
2. Please refer to the [Reasons for Determination](#) (Application No. 7 of 2013), which is available on SFAT's website (<http://www.sfat.gov.hk/>).
3. China Securities (formerly known as Vermont Securities Company Limited) is licensed under the SFO to carry on business in Type 1 (dealing in securities) regulated activity. China Securities ceased business on 31 December 2012.
4. Please see the SFC's press releases dated [15 August 2013](#) and [18 September 2013](#).
5. Section 114 of the SFO prohibits any person from performing any regulated function except a licensed representative. Regulated function means any function performed for a licensed corporation related to a regulated activity, other than work ordinarily performed by an accountant, clerk or cashier.
6. Paragraph 4.2 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (Code of Conduct) further provides that a licensed person should ensure that it has adequate resources to supervise diligently and does supervise diligently persons employed or appointed to conduct business on its behalf.
7. Among other things, the Securities and Futures (Keeping of Records) Rules requires a licensed corporation to keep records that are sufficient to explain its business operations, including all orders and instructions. The required records have to enable an executed trade to be traceable through the licensed corporation's trading system. Paragraph 3 of the Code of Conduct requires order instructions to be time stamped and trade executions to be fairly allocated to clients.

Page last updated : 26 May 2014