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SFC bans Katherina Lo Ka Shun for two years for improper trading arrangement

25 Feb 2015

The Securities and Futures Commission (SFC) has banned Ms Katherina Lo Ka Shun from re-entering the industry for two years from 24 February 2015 to 23 February 2017 (Note 1).

The SFC found that Lo sold 30 million shares in [Grand Peace Holdings Limited](#) (Grand Peace) held by her and her daughter on a pre-arranged basis. The transaction was executed on market at prices which Lo knew that they were not the price she privately agreed with the purchaser. The actual terms Lo agreed to dispose the shares included a cash discount payable to the purchaser (Note 2).

There was no reasonable explanation for the payment of the cash discount and for such a transaction being executed on-market. On-market transactions should reflect what has actually been agreed between the parties.

The SFC considers this transaction casts considerable doubt on Lo's fitness and properness to be a licensed person.

End

Notes:

1. Lo was 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 Quam Securities Company Limited from 21 October 2010 to 1 January 2014. Lo is currently not a licensed person.
2. Grand Peace was formerly known as FAVA International Holdings Limited.

[A copy of the Statement of Disciplinary Action 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 prohibited Lo Ka Shun, Katherina (**Lo**) from re-entering the industry for two years pursuant to section 194 of the Securities and Futures Ordinance (**SFO**).
2. The disciplinary action was taken because Lo agreed to and participated in a trading arrangement by disposing 30 million shares in Grand Peace Holdings Limited (**Grand Peace**)¹ on the open market and paying a cash discount to the execution price to the buyer.
3. The SFC considers Lo's trading arrangement with the buyer gave the appearance that the Grand Peace shares were traded at market price but in fact they were transacted at a discount of around 20 percent.

Summary of facts

4. Lo was a licensed representative of Quam Securities Company Limited from 21 October 2010 to 1 January 2014. Lo is currently not a licensed person.
5. It was reported to the SFC that substantial Grand Peace shares were transacted on 11 September 2012. It was found that Lo sold 30 million Grand Peace shares owned by her and her daughter to the buyer for \$3.09 million and she also paid the buyer a cash discount of \$700,000.
6. Lo acknowledged that she agreed with the buyer to dispose the Grand Peace shares at a discount to the market price and to sell the shares through open market because she was eager to dispose the shares. Lo said she did not know such disposal was improper.

Reasons for action

7. Under the SFO, the SFC may exercise its disciplinary power against a licensed representative if the SFC is of the opinion that a licensed representative is not a fit and proper person to be or to remain a licensed representative. In considering whether a licensed representative is a fit and proper person, the SFC may consider any matter that it considers relevant. In the present case, the SFC is entitled to consider Lo's fitness and properness to be a licensed representative in light of her conduct in relation to the share disposal.

¹ Grand Peace was formerly known as FAVA International Holdings Limited

8. The trading arrangement Lo agreed with the buyer had created an appearance that the Grand Peace shares were traded at the market price when actually they were traded at a discount of around 20 percent. An investor without the knowledge of such trading arrangement would not know that the shares were traded at a discount to the market price.
9. As a licensed person with over 10 years of experience in the industry, it is not an excuse for Lo to claim that she was ignorant of the impropriety of such trading arrangement. Lo is expected to know the consequences of her conduct. In addition, Lo's eagerness to sell the shares was not a valid excuse for agreeing to and taking part in the misconduct which had the effect of giving an inaccurate share price to the market.

Conclusion

10. Lo's engagement in the trading arrangement with the buyer had abused the stock market mechanism and caused dissemination of unreliable pricing information. The conduct casted considerable doubt on her fitness and propriety.