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SFC issues Restriction Notices to two brokers to freeze a client account linked to suspected account hacking and market manipulation

16 Dec 2016

The Securities and Futures Commission (SFC) has issued notices to Interactive Brokers LLC (IBLLC) and Interactive Brokers Hong Kong Limited (IBHK) prohibiting them from dealing with or processing certain assets held in a client account which the SFC suspects are the proceeds of market manipulation and/or fraud conducted in conjunction with unauthorized internet trades in hacked securities accounts at other firms between 7 and 15 October 2015 (Notes 1 & 2).

The SFC is not investigating either IBLLC or IBHK, which have cooperated with the SFC's ongoing investigation. The notices do not affect the operations of IBLLC and IBHK or their other clients.

The notices prohibit IBLLC and IBHK, without the SFC's prior written consent, from dealing with the suspected proceeds or processing any instructions from the client, or any authorized representative, for those proceeds, including: (i) entering into securities or futures transactions; (ii) withdrawing securities, futures or cash; and/or (iii) transferring sales proceeds of securities or futures. IBLLC and IBHK must notify the SFC if they receive any account instructions.

The SFC considers that the issue of the notices is desirable in the interest of the investing public or in the public interest.

The SFC's investigation is continuing.

The SFC acknowledges the assistance provided by the Cyber Security and Technology Crime Bureau of the Hong Kong Police Force.

End

Notes:

1. The SFC issued the notices under sections 204 and 205 of the Securities and Futures Ordinance (SFO).
2. Both IBLLC and IBHK are corporations licensed under the SFO to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 3 (leveraged foreign exchange trading) regulated activities.

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NOTICE UNDER SECTIONS 204 AND 205 OF THE
SECURITIES AND FUTURES ORDINANCE
(Chapter 571) (SFO)

It appears to the Securities and Futures Commission (Commission) that the Commission should exercise the powers conferred by sections 204 and 205 of the SFO.

THE COMMISSION GIVES NOTICE THAT:—

Except with the Commission's prior written consent, such consent to be granted by any two Executive Directors of the Commission:—

1. Under sections 204(1)(a) and 205(1) of the SFO, Interactive Brokers Hong Kong Limited (Specified Corporation) is, in respect of a specified account (Account):—
 - (a) prohibited from dealing with or disposing of any assets in any way in the Account up to the total value of HK\$1,298,523, including:—
 - (i) entering into transactions for any securities or futures;
 - (ii) processing any withdrawals or transfers of securities, futures and/or cash or any transfers of money arising from the disposal of securities or futures;
 - (iii) disposing of or dealing with any securities, futures or cash on the instructions of any authorized person of the Account or by any person acting on their behalf;
 - (b) required to notify the Commission immediately upon receipt of any instruction from the authorized person of the Account, or by any person acting on their behalf, regarding:—
 - (i) any requests to withdraw any securities, futures or cash from the Account and/or transfer money arising from the disposal of any securities or futures which would result in the value of assets remaining in the Account to fall below HK\$1,298,523; and/or
 - (ii) any requests to dispose of or deal with any securities, futures or cash which concern those assets subject to the prohibitions in (a) above.
2. If the total assets in the Account exceed the value of HK\$1,298,523, the Specified Corporation may deal with or dispose of any of the assets, so long as assets in the value of HK\$1,298,523 remain in the Account and subject to the prohibitions above.
3. Under section 217 of the SFO, an application may be made to the Securities and Futures Appeal Tribunal for a review of the Commission's decision to impose the prohibition and/or requirement imposed by this Notice. Such application must be made within twenty-one days after the day on which this Notice is served on the Specified Corporation. Further, under section 208 of the SFO, the Specified Corporation may apply to the Commission for the prohibition and/or requirement imposed by this Notice to be withdrawn, substituted or varied.

This Notice takes effect at the time of service upon the Specified Corporation.

Date this 22nd day of November 2016

For and on behalf of the Commission
Ashley Alder
Chief Executive Officer