

Enforcement

Court proceedings

In July, the Appeal Committee of the Court of Final Appeal (CFA) dismissed the application of Andrew Left of Citron Research for leave to appeal to the CFA against the judgment of the Court of Appeal (CA). In August 2016, the Market Misconduct Tribunal (MMT) found Left culpable of disclosing false or misleading information inducing transactions in a 2012 report on Evergrande Real Estate Group Limited¹.

The Eastern Magistrates' Court convicted and fined:

- Ke Wen Hua, for false trading in respect of the shares of Carry Wealth Holdings Limited through six securities accounts under his control.
- Simon Chan Ying Ming, a former officer of Wonderful Wealth Group Limited², for holding out as carrying on a business in dealing in futures contracts and providing asset management services without an SFC licence.
- Brilliance Capital Management Limited and its director Law Sai Hung, for holding out as carrying on a business in advising on corporate finance without an SFC licence.

- Lau Tin Yau, for providing false or misleading information to the SFC in two licence applications and in his annual licensing return, and for failing to notify the SFC of his criminal conviction and disciplinary proceedings against him.

We commenced MMT proceedings against Tianhe Chemicals Group Limited and its executive director, Wei Xuan, for allegedly overstating Tianhe's revenue by over RMB6.7 billion in its listing prospectus. We are also seeking orders from the Court of First Instance under section 213 of the Securities and Futures Ordinance (SFO) to restore Tianhe's public shareholders to their positions before their subscriptions or purchases of Tianhe shares.

We commenced criminal proceedings against five individuals³ for conspiring to carry out false trading in the shares of Ching Lee Holdings Limited and against Zeng Lingxi for obstructing SFC employees in the execution of a search warrant.

Disciplinary actions

We disciplined two licensed corporations and seven individuals during the quarter resulting in total fines⁴ of \$6.7 million. In October, we fined Goldman Sachs (Asia) L.L.C. US\$350 million (HK\$2.71 billion) for serious lapses and deficiencies in its management supervisory, risk, compliance and anti-money laundering controls in 1Malaysia Development Berhad's bond offerings.

Sponsor failures

Company/Name	Breaches	Action
Fabian Shin Yick	Failed to discharge his duties as a sponsor principal, a responsible officer and a member of the senior management of Yi Shun Da Capital Limited	Banned from re-entering the industry for 20 months
Lai Voon Wai	Failed to discharge his duties as a sponsor principal and a responsible officer of CCB International Capital Limited and BOCOM International (Asia) Limited in two listing applications	Banned from re-entering the industry for five years

¹ Left's appeal to the CA was dismissed in February 2019, and his application for leave to further appeal to the CFA was dismissed in July 2020.

² The company was dissolved in November 2017.

³ Sit Yi Ki, Lam Wing Ki, Tam Cheuk Hang, Simon Suen Man and Ho Ming Hin.

⁴ Fines paid by intermediaries in disciplinary actions go into the general revenue of the Government.

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Unauthorised transactions

Company/Name	Breaches	Action
Lai Wing Fat	Conducted unauthorised transactions in client accounts	Banned from re-entering the industry for 20 months
Chan Yiu Ting	Conducted unauthorised transactions in a client account	Banned from re-entering the industry for 18 months
Mung Wai Sun	Conducted unauthorised transactions in a client account	Suspended for nine months

Other regulatory breaches

Company/Name	Breaches	Action
The Bank of East Asia, Limited	Failed to segregate client securities from proprietary securities	Reprimanded and fined \$4.2 million
Ts'o Jing	Falsely claimed that clients opening securities accounts had to pay an additional sum, pocketed the money and fabricated receipts	Banned for life
Masy Lo Mee Chi	Fabricated a signature in connection with the purchase of a fund	Banned from re-entering the industry for eight months
China Everbright Securities (HK) Limited	Pledged clients' securities to banks without valid authorisation from the clients	Reprimanded and fined \$2.5 million

Restriction notices

During the quarter, we issued restriction notices to five brokers⁵, prohibiting them from disposing of or processing specified assets held in trading accounts related to suspected market manipulation or other misconduct. Our investigations are ongoing.

An account holder concerned in two of the restriction notices lodged a review application with the Securities and Futures Appeals Tribunal (SFAT), seeking their withdrawal. On 23 September the SFAT rejected the review application because the restriction notices were made in respect of two licensed corporations and the SFAT did not have jurisdiction to hear a review application by an account holder.

Social media investment scams

We launched a campaign to warn the public about the risks of falling victim to social media investment scams. A special edition of our Enforcement Reporter explained how these scams operate and provided tips for avoiding them.

Market surveillance

Our surveillance of untoward price and turnover movements resulted in 2,417 requests for trading and account records from intermediaries in the quarter.

We published five high shareholding concentration announcements to remind investors to exercise caution when trading shares in companies where a small number of shareholders hold a high concentration of shares.

Cooperation with the CSRC

During the quarter, the China Securities Regulatory Commission (CSRC) provided investigatory assistance for several of our cases despite travel restrictions amidst the COVID-19 pandemic. We also held in-depth discussions on high-priority cases with the CSRC.

⁵ Gary Cheng Securities Limited, Zhongcai Securities Limited, China Gather Wealth Financial Company Limited, Power Securities Company Limited and Shenwan Hongyuan Securities (H.K.) Limited.

Enforcement

Enforcement activities

	Quarter ended 30.9.2020	Six months ended 30.9.2020	Six months ended 30.9.2019	YoY change (%)
S179 ^a inquiries commenced	6	16	21	-23.8
S181 ^b inquiries commenced (number of letters sent)	78 (2,417)	133 (4,783)	128 (5,070)	-5.7
S182 ^c directions issued	56	86	120	-28.3
Investigations started	57	90	126	-28.6
Investigations completed	54	115	90	27.8
Individuals and corporations charged in criminal proceedings	6	8	5	60
Criminal charges laid	8	11	8	37.5
Notices of Proposed Disciplinary Action ^d issued	9	13	17	-23.5
Notices of Decision ^e issued	7	19	26	-26.9
Individuals and corporations subject to ongoing civil proceedings ^f	155	155	146	6.2
Compliance advice letters issued	54	109	133	-18
Cases with search warrants executed	2	4	8	-50

a Section 179 of the SFO gives the SFC the power to compel the production of records and documents from persons related to a listed company in relation to fraud or other misconduct.

b Section 181 of the SFO gives the SFC the power to require information from intermediaries about trading transactions, including information identifying the ultimate clients, the particulars and instructions relating to the transactions.

c Section 182 of the SFO gives the SFC the power to investigate SFO offences, market misconduct, fraud, misfeasance and disciplinary misconduct.

d A notice issued by the SFC to regulated persons that it proposes to exercise its disciplinary powers, on grounds that they appear to be guilty of misconduct or not fit and proper.

e A notice that sets out the SFC's decision and its reasons to take disciplinary action against regulated persons.

f As of the last day of the period.