

Enforcement Actions

1 April 2003

SFC Reprimands Chong Tin Lung Benny for Misconduct

The SFC has reprimanded Mr Chong Tin Lung Benny, an ex-securities dealer's representative of Merrill Lynch (Asia Pacific) Limited and Merrill Lynch Far East Limited.

The SFC's investigation found that Chong:

(i) had given an impression to a person that he would help that person to manipulate the shares of Global Green Tech Group Limited (Note 1). There is, however, no evidence of a successful attempt to manipulate Global Green shares;

(ii) had breached Merrill Lynch's internal rules and the spirit of the SFC's Code of Conduct by:

- conducting personal trades via his girlfriend's accounts at three outside brokerage houses and placing discretionary orders for accounts of a company (which belonged to his mother and his uncle) at two outside brokerage houses, without informing Merrill Lynch;
- soliciting two clients to buy Global Green shares on which neither the research department of Merrill Lynch had an opinion nor Chong himself had conducted a thorough analysis; and
- accepting clients' orders through his mobile phone.

Chong's failings call into question his fitness and properness. The SFC therefore decides to reprimand Chong. The SFC took into account that Chong had been out of the industry since his employment was terminated by Merrill Lynch in April 2002. Merrill Lynch reported Chong's conduct and dismissal to the SFC.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "We welcome Merrill Lynch or other brokerage houses bringing their suspicions of possible employees' misconduct or market crimes to us. Registered persons should adhere to internal control rules of their employers. We will treat any breaches of these internal control rules seriously. Under no circumstances should a registered person render any form of assistance to manipulate the market of any shares."

"Market manipulation is a criminal offence. Successful prosecution could result in an immediate custodial sentence, as we have seen in the case of Hong Kong Parkview (Note 2). Registered persons who knowingly render assistance to market manipulators also face suspension or revocation of their registrations. After the Securities and Futures Ordinance comes into effect on 1 April, they will also be subject to fines," Mr Linning said.

Ends

Notes:

1. Chong gave an impression to help a person, who was not a SFC registered person, set “scaffolding” for Global Green shares. “Scaffolding” is a malpractice commonly understood in the Hong Kong securities industry to refer to placing numerous orders for the shares without the intention to execute all the orders, usually for the purpose of price support. There is no evidence of a successful attempt to manipulate Global Green’s shares so no prosecution has been brought.

2. The press release on the Hong Kong Parkview case was issued on 18 March 2002 and is available on the SFC website.

Page Last Updated: 1 April 2003