

SFC Suspends Wong Chak Lau, Kate Edith (Formerly Known as Wong Chak Chi, Kate Edith) For Misconduct in a Market Manipulation Case

22 Dec 2003

The SFC has suspended the licence of Ms Wong Chak Lau, Kate Edith, for one week from 20 December to 26 December 2003 (both dates inclusive). Wong was at the time of the misconduct a securities dealer's representative of Worldsec International Limited.

The suspension stemmed from an inquiry into the market manipulation of Gay Giano International Group Limited shares from June to September 2000 (Note 1).

The SFC found that Wong had:

- improperly handled the opening of a client's account. Among other failures, she did not establish the identity of the client before the account was opened;
- failed to inquire into questionable trades placed in the account by a third party who was one of the convicted market manipulators (Note 2);
- failed to obtain written authorisation from the client for the third party to operate the account;
- signed on a power of attorney as a witness when she was fully aware that the third party had forged the client's signature on the power of attorney authorising a third party to trade; and
- exposed Worldsec to unnecessary financial risks.

In light of these findings, the SFC concluded that Wong had been guilty of misconduct and her fitness and properness has been called into question. The SFC therefore decided to suspend her licence for one month.

Wong applied to the Securities and Futures Appeals Panel against the decision to suspend her. By the decision of the Panel dated 19 December 2003, the SFC's decision to suspend Wong was varied from one month to one week (Note 3).

The Panel found that Wong had neither possessed nor attempted to find out sufficient information about the client and the third party before and after the opening of the securities trading account and therefore breached the "Know your clients" rule in the Code of Conduct. The Panel, however, considered that Wong should not bear the entire responsibility for the deficiency in the account opening procedures because she was not involved in the subsequent opening of the margin trading account and for the witnessing of the forged signature in the power of attorney because an officer of Worldsec had asked her to do so.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "In conducting business a licensee has a duty to help maintain market integrity. A licensee should constantly watch out for signs of possible market manipulation. In the market manipulation of the Gay Giano shares, these signs included heavy trading in this single stock by the client, conducting transactions by manual cross trades and the use of a third party to place orders. Wong's failure to properly identify the client's identity and get proper trading authorisations deserves a period of suspension."

Wong is currently a licensed representative of Hooray Securities Limited.

Ends

Notes:

1. Mr Wong Wing Keung, Raymond, and Mr Lee Sing Wai, Stephen, were convicted of market manipulation in June 2002 in the District Court. The former Chairman of Gay Giano, Mr Cheung Sing Chi and his brother Mr Cheung For Sang, were convicted of conspiracy to defraud the public, the SFC and others by market manipulation on 22 April 2003.
2. The third party was Wong Wing Keung, Raymond.
3. The Panel's decision was communicated to the parties after trading hours on 19 December 2003.

