

SFC Reprimands Hantec International Limited for Internal Control Failings

14 Sep 2004

The SFC has reprimanded Hantec International Limited, a licensed leveraged foreign exchange trader.

The reprimand stems from a number of complaints made to the SFC against Hantec and its licensed representatives between 2000 and 2002. The SFC found that Hantec had failed to:

- prevent unlicensed and cold calling activities by staff due to inadequate supervision (Note 1);
- supervise adequately and diligently certain licensed representatives who held non-discretionary licences and who used clients' passwords to conduct discretionary trades in those clients' accounts contrary to their licensing conditions (Note 2);
- supervise adequately and diligently a licensed representative to ensure he complied with the 'know your client' rule and understood his client's suitability for opening forex accounts with Hantec (Note 3);
- ensure sufficient care was taken in monitoring the recruitment process where Hantec did not detect one of its licensed representatives had provided the SFC with forged academic certificates (Note 3); and
- keep proper trade blotters and trading documents to provide an adequate audit trail.

Hantec provided training to its staff members and issued internal circulars and guidelines from time to time. The SFC found that the above problems were caused by inadequate supervision by Hantec's responsible officers and senior management over its staff members who did not comply with company policy. Hantec's delegation of supervisory duty to its team leaders was also not satisfactory as the team leaders facilitated or condoned unlicensed activities conducted by their team members.

The SFC concludes that the fitness and properness of Hantec as a licensed person has been called into question. In deciding the level of punishment, the SFC notes that Hantec and its staff have been co-operative throughout the inquiries and continuously adopted immediate remedial measures.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "We will not tolerate weak internal controls in a licensed corporation that put its clients at risk or cause them to suffer any financial loss. All licensees are reminded that any unsolicited calls are generally prohibited under the Securities and Futures Ordinance that came into force on 1 April 2003."

"Conditions on SFC licences are also important especially the condition not to provide any discretionary account services. Clients are advised not to give their passwords to licensees unless their brokerages maintain discretionary accounts for their forex trading. It is essential for brokerages to exercise adequate supervision over their staff as well as ensuring their staff members fully understand and comply with the legislation, rules and regulations. For any licensed corporations which are involved in leveraged foreign exchange trading activities, it is of utmost importance for them to follow the guidelines stipulated in Schedule 6 of *Additional Requirements for Licensed Persons Engaging in Leveraged Foreign Exchange Trading* which should be read together with the general principles stated in the *Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission* published in April 2003," Mr Linning added.

Ends

Notes to Editor:

1. The SFC has successfully prosecuted a staff member of Hantec for engaging in leveraged foreign exchange trading activities whilst not being licensed under the Leveraged Foreign Exchange Trading Ordinance. Please refer to an SFC press release issued on 31 October 2003.
2. The SFC suspended two licensed representatives of Hantec each for breaching a licence condition and other failings. Please refer to SFC press releases issued on [12 December 2002](#) and [17 January 2003](#).
3. The licensed representatives involved have left the industry and are no longer under SFC's jurisdiction.

