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## SFC Disciplines Daiwa Securities SMBC Hong Kong Limited and Koji Yoshihara for Breaching the Pricing Limits under the Securities and Futures (Price Stabilizing) Rules

2 Mar 2005

The SFC has reprimanded and fined Daiwa Securities SMBC Hong Kong Limited \$100,000, and reprimanded Mr Koji Yoshihara, one of its licensed representatives at the material time, for breaching the pricing limits as stipulated under Schedule 2 of the Securities and Futures (Price Stabilizing) Rules (Note 1).

Daiwa Securities SMBC was the stabilizing manager appointed to undertake stabilizing action under the Rules on the listing of certain shares in April 2004. The SFC found that on one day in April 2004, Daiwa Securities SMBC had placed a total of 20 buy orders in respect of the shares in question for the purpose of price stabilization and effected a total of 28 stabilization trades. Daiwa Securities SMBC breached the Rules 25 times, either by placing buy orders or executing transactions at prices exceeding the maximum price stipulated in the Rules (Note 2).

Yoshihara was responsible for initiating the price stabilization action with respect to the shares concerned.

The SFC concludes that the fitness and properness of Daiwa Securities SMBC and Yoshihara has been called into question and decides to reprimand and fine Daiwa Securities SMBC, and reprimand Yoshihara.

In reaching this decision, the SFC took into account that: (1) Daiwa Securities SMBC voluntarily reported the breaches of the Rules; (2) the breaches were inadvertent in nature; (3) the price stabilization performed by Daiwa Securities SMBC had no significant effect on the price of the shares in question; and (4) Daiwa Securities SMBC took prompt remedial measures.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "The Price Stabilization Rules legitimise certain dealing activity that would otherwise be considered manipulative. It is therefore incumbent on intermediaries appointed by or representing the offerors of securities to ensure that they follow the Price Stabilization Rules precisely and comply strictly with the provisions therein if they intend to make use of this concession."

Ends

Notes to Editor:

1. Daiwa Securities SMBC Hong Kong Limited is a deemed licensed corporation approved to carry on regulated activities of Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) under the Securities and Futures Ordinance. Yoshihara was a licensed representative accredited to Daiwa Securities SMBC at the material time and is now a responsible officer of the corporation, approved to carry on Type 1 and Type 6 regulated activities.

2. The Price Stabilization Rules came into force on 1 April 2003. The Rules allow underwriters of securities offering to take price stabilizing action to reduce short-term price fluctuations resulting from the sudden increase in the supply of the securities in the market.

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