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SFC Suspends Lok Siu Kee for Failure to Inquire into Suspicious Trades

15 Jul 2005

The SFC has suspended the licence of Mr Lok Siu Kee for five months from 15 July 2005 to 14 December 2005. Lok is a licensed representative accredited to Kwai Hung Securities Company Limited (Note 1).

The action stems from a market manipulation investigation into the shares of New Chinese Medicine Holding Limited. From August to September 2002, a third party placed suspicious orders for New Chinese Medicine shares in four nominee accounts at Kwai Hung. Lok was the account executive of those accounts. Despite tell-tale signs that the orders were manipulative, Lok failed to make proper inquiries into them. Nor did he report them to Kwai Hung. The tape recordings of Kwai Hung revealed that Lok had the discretion to allot shares in the nominee accounts and that he had been asked to put up scaffolding orders in those accounts (Note 2). In addition, Lok failed to obtain written authorisations from the account holders for the third party to place orders for the accounts. Lok did not even know the full name of the third party (Note 3).

Lok also falsely represented that he had witnessed the signing of two of the account opening documents. The name of a person that Lok filled in one of the account opening forms as the introducer of the account was also false.

The SFC therefore concludes that Lok has been guilty of misconduct and his fitness and properness has been called into question.

In deciding the penalty, the SFC has taken into account the following:

- Lok accepted a resolution of the disciplinary action by settlement and saved SFC's resources;
- Lok attended training courses to improve his professional knowledge;
- Lok improved operational procedures at Kwai Hung; and
- Lok showed remorse for his failures.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "Licensed representatives must inquire into suspicious trades and report them to their supervisors so that manipulative trades can be identified and stopped at the earliest opportunity. We expect licensees to play their part in protecting market integrity. Those who turn a blind eye to suspicious trades will be suspended or fined. Providing false information in account opening forms and allowing a third party to operate clients' accounts without proper authorisations casts doubt on the integrity of a licensee. The SFC will continue to suspend or proportionately fine to deter similar failings."

Ends

Notes to Editor:

1. Lok is licensed to carry on Type 1 (dealing in securities) regulated activities.
2. Scaffolding, the English translation of "搭棚", is a form of market manipulation. The perpetrators attempt to distort the picture of the demand and supply of a stock by inputting a large number of orders without the intention of executing them. These false orders are usually cancelled before they are likely to be matched. It misleads investors and damages market integrity.
3. The market manipulation investigation concerning New Chinese Medicine Holding Limited has been concluded with no prosecution.

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