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## Enforcement Actions

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31 March 2006

### **SFC Suspends Mak Wing Shun Agnes for Failures to Comply with the SFO and to Give Reasonable Investment Advice**

The SFC has suspended Ms Mak Wing Shun Agnes for four months from 31 March 2006 to 30 July 2006 for failing to comply with the prohibition against cold calling under the Securities and Futures Ordinance and to give reasonable investment advice to clients (Note 1).

The disciplinary action follows Mak's conviction for making unsolicited calls inducing others to enter into agreements for trading in futures contracts while acting as a licensed representative of Tanrich Futures Limited (Note 2).

The SFC found that Mak had made telephone calls to prospective clients, with whom Mak had no acquaintance, asking them for meetings to introduce them to futures trading. When Mak visited the prospective clients, she induced them to open accounts with Tanrich. As a result of Mak's unsolicited calls, the prospective clients opened accounts with Tanrich Futures.

During the investigation of Mak's cold calling activities, it was also found that Mak had advised her clients to simultaneously hold equal long and short positions in the same futures contract without any reasonable explanations, and misrepresented that it would reduce risk and might help recover trading losses (Note 3).

The SFC concludes that Mak has been guilty of misconduct and her fitness and properness has been called into question. The SFC has decided to suspend her licence. In determining the sanction, the SFC has taken into account that Mak pleaded guilty to the cold calling offences and was frank in admitting to her cold calling activities during investigation.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "Cold calling is serious misconduct. The SFC will prosecute all cold calling activities discovered.

In giving trading recommendations to clients, a licensed representative is under a duty to ensure that the advice given is reasonable in the circumstances. Holding equal long and short positions of the same futures contract at the same time does not appear to serve any genuine economic purpose. Investors should exercise judgment and should not take it for granted that the trading strategy recommended to them is always suitable.”

Ends

Notes to Editor:

1. Mak is licensed under the Securities and Futures Ordinance to carry on Type 2 (dealing in futures contracts) regulated activity and is a representative accredited to Tanrich Futures.
2. Please see [SFC press release dated 10 November 2005](#) for details.
3. Simultaneous holding of equal long and short positions is commonly known as “locking”. For further information regarding locking, please refer to the March 2005 issue of Dr Wise’s Column entitled “[Look Before You Lock](#)”, available on the InvestEd website at [www.InvestEd.hk](http://www.InvestEd.hk).

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