

SFC issues restriction notice to broker to freeze client account linked to suspected insider dealing

9 Mar 2018

The Securities and Futures Commission (SFC) has issued a restriction notice to Interactive Brokers Hong Kong Limited (IBHK), prohibiting it from dealing with or processing certain assets held in a client account (the Client Account) which is related to suspected insider dealing in the shares of Bloomage BioTechnology Corporation Limited between **22 May and 15 June 2017** (Notes 1 to 3).

The SFC is not investigating IBHK, which has cooperated with the SFC in an ongoing investigation. The restriction notice does not affect IBHK's operations or its other clients.

The restriction notice prohibits IBHK, without the SFC's prior written consent, from disposing of or dealing with, assisting, counselling or procuring another person to dispose of or deal with any assets in any way in the Client Account, including: (i) entering into transactions for any securities; and/or (ii) processing any withdrawals or transfers of securities and/or cash or any transfers of money arising from the disposal of securities; and/or (iii) disposing of or dealing with any securities or cash on the instructions of any authorised person of the Client Account or by any person acting on their behalf; and/or (iv) assisting another person to dispose of or deal with any relevant property in a specified manner. The broker is also required to notify the SFC if it receives any of these instructions.

The SFC considers that the issue of the restriction notice is desirable in the interest of the investing public or in the public interest.

End

Notes:

1. The SFC issued the restriction notice pursuant to sections 204 and 205 of the Securities and Futures Ordinance (SFO).
2. Bloomage BioTechnology Corporation Limited (Bloomage) was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 3 October 2008 by way of placing and public offer. Trading in Bloomage shares was suspended at 1 pm on 15 June 2017. On 19 June 2017, Bloomage and Grand Full Development Limited (Grand Full) issued a joint announcement setting out an offer made by Grand Full to privatise Bloomage by way of a scheme of arrangement. On 1 November 2017, following its privatisation, Bloomage's listing was withdrawn.
3. Interactive Brokers Hong Kong Limited is a corporation licensed under the SFO to carry out Type 1, 2 and 3 regulated activities.

Page last updated : 9 Mar 2018

**Notice under Sections 204 and 205 of the
Securities and Futures Ordinance
Cap. 571 (the “SFO”)**

It appears to the Securities and Futures Commission (the “**Commission**”), for the reasons set out in the Statement of Reasons of this date, that the Commission should exercise the powers conferred by sections 204 and 205 of the SFO.

THE COMMISSION GIVES NOTICE THAT:

Except with the Commission’s prior written consent, such consent to be granted by any two Executive Directors of the Commission:

1. Under sections 204(1)(a) and 205(1) of the SFO, Interactive Brokers Hong Kong Limited (the “**Specified Corporation**”) is, in respect of the following account (the “**Account**”):

Account no.	Cash balance as at 28.02.2018 HK\$	Securities balance as at 28.02.2018 HK\$
U9363995	6,589,753.34	4,663,992.00

- (a) subject to paragraph 2, prohibited from disposing of or dealing with, assisting, counselling or procuring another person to dispose of or deal with, any assets in any way in the Account up to the total value of HK\$6,538,624, including:
 - (i) entering into transactions for any securities;
 - (ii) processing any withdrawals or transfers of securities and/or cash or any transfers of money arising from the disposal of securities;
 - (iii) disposing of or dealing with any securities or cash on the instructions of any authorised person of the Account or by any person acting on their behalf;
 - (iv) assisting another person to dispose of any relevant property or deal with any relevant property in a specified manner;
 - (b) required to notify the Commission immediately upon receipt of any instruction from the authorised person of the Account, or by any person acting on their behalf, regarding:
 - (i) any requests to withdraw any securities or cash from the Account and/or transfer money arising from the disposal of any securities which would result in the value of assets remaining in the Account to fall below the value of HK\$6,538,624; and/or
 - (ii) any requests to dispose of or deal with any securities or cash which concern those assets subject to the prohibitions in (a) above.
2. Notwithstanding paragraph 1, the Specific Corporation may deal with or dispose of securities in the Account to cover the negative cash balance in the Account. The

cash and securities remaining in the Account following the disposal of securities shall remain in the Account and be subject to the prohibitions in paragraph 1 above.

3. Under section 217 of the SFO, an application may be made to the Securities and Futures Appeal Tribunal for a review of the Commission's decision to impose the prohibition and/or requirement imposed by this Notice. Such application must be made within twenty-one days after the day on which this Notice is served on the Specified Corporation. Further, under section 208 of the SFO, the Specified Corporation may apply to the Commission for the prohibition and/or requirement imposed by this Notice to be withdrawn, substituted or varied.

This Notice takes effect at the time of service upon the Specified Corporation.

Date this 1st day of March 2018

For and on behalf of the Commission

Ashley Alder
Chief Executive Officer

Statement of Reasons

Under section 209(2) of the Securities and Futures Ordinance (Cap. 571)

1. Interactive Brokers Hong Kong Limited (the “**Specified Corporation**”) is a corporation licensed under the Securities and Futures Ordinance (the “**SFO**”) to carry on Type 1, 2 and 3 regulated activities.
2. It appears to the Securities and Futures Commission (the “**Commission**”) that the imposition of the prohibition and the requirement set out in the Notice of this date issued by the Commission under sections 204 and 205 of the SFO is desirable in the interest of the investing public or in the public interest.
3. The Commission has reached this view on the basis of the following matters:
 - (a) Trading of shares in Bloomage BioTechnology Corporation Limited (“**Bloomage**”, ex-stock Code: 963) was suspended on 15 June 2017. On 19 June 2017, Bloomage and Grand Full Development Limited (the “**Offeror**”) jointly announced a proposal for the privatisation of Bloomage by the Offeror (the “**Privatisation**”). Trading was resumed on 20 June 2017. The share price rose by 7.55% to close at HK\$15.38.
 - (b) Whilst the investigation is still ongoing, information obtained in the investigation revealed that a client (the “**Client**”) of the Specified Corporation, whose account is the subject of the Notice, might have engaged in insider dealing. It was found that the Client purchased 1.265 million shares of Bloomage (totalling around HK\$16.46 million), a few weeks prior to the trading suspension on 15 June 2017. Prior to that, the Client had no recent history of trading in Bloomage shares.
 - (c) Soon after the resumption of trading on 20 June 2017, the Client started selling her Bloomage shares and eventually realised a profit of millions of Hong Kong Dollars.
 - (d) The Commission also found that the Client is married to a person who, the Commission has reasons to suspect, may have acquired inside information concerning Bloomage and may have counselled the Client to trade Bloomage shares and/or traded those shares in the Client’s securities accounts including her account maintained at the Specified Corporation.
 - (e) The Commission has reasons to suspect that persons may have engaged in insider dealing contrary to section 270 or offences of insider dealing might have been committed contrary to section 291 of the SFO.
 - (f) The Commission is of the view that certain public investors who were counter-parties to the trades conducted by the Client (and person associated with her) might have suffered notional aggregate losses of approximately HK\$3 million. If any person is found liable under any of the provisions of the SFO specified above, he/she may be ordered to take such steps as the Court of First Instance may direct, including steps to restore the parties to the transaction to the position in which they were, before the transaction was entered into, or to pay compensation to these victims under section 213 of SFO. The person may also be ordered to disgorge the profits he/she has made.
 - (g) There are cash and securities balances in the Client’s account at the Specified Corporation of HK\$6,589,753.34 and HK\$4,663,992.00 respectively as at 28

February 2018. The Commission believes that it is necessary to prevent the Client and/or person(s) connected with her from operating and dealing with the account specified in the Notice and to preserve the cash and securities in the account of up to HK\$6,538,624, pending further investigation, including fund tracing.

- (h) As there is a potential risk of dissipation, the Commission considers it is desirable in the interest of the investing public or in the public interest to impose on the Specified Corporation the prohibitions and the requirement as set out in the Notice issued by the Commission on this date.

Date this 1st day of March 2018

For and on behalf of the Commission

Ashley Alder

Chief Executive Officer