

# SFC issues restriction notices to two brokers to freeze client accounts linked to suspected market manipulation

11 Aug 2020

The Securities and Futures Commission (SFC) has issued restriction notices to Gary Cheng Securities Limited (GCSL) and Zhongcai Securities Limited (ZSL), prohibiting them from dealing with or processing certain assets held in five trading accounts, which are related to suspected market manipulation in late April 2020 in the shares of a company listed on the Stock Exchange of Hong Kong Limited (Notes 1 & 2).

The restriction notices prohibit them, without the SFC's prior written consent, from disposing of or dealing with, or assisting, counselling or procuring another person to dispose of or deal with, any assets in any way in the trading accounts including: (i) entering into transactions in respect of 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 and/or cash on the instructions of any authorized person of the accounts or any person acting on their behalf. The brokers are also required to notify the SFC if they receive any of these instructions.

The SFC considers that the issue of the restriction notices is desirable in the interest of the investing public and in the public interest.

The SFC's investigation is continuing.

End

Notes:

1. The SFC issued the restriction notices pursuant to sections 204 and 205 of the Securities and Futures Ordinance (SFO).
2. GCSL is a corporation licensed under the SFO to carry on business in Type 1 and 4 regulated activities. ZSL is a corporation licensed under the SFO to carry on business in Type 1 regulated activity.

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NOTICE UNDER SECTIONS 204 AND 205 OF THE  
SECURITIES AND FUTURES ORDINANCE  
CAP. 571 (“SFO”)

It appears to the Securities and Futures Commission (“**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:

- Under sections 204(1)(a) and 205(1) of the SFO, Gary Cheng Securities Limited (“**Specified Corporation**”) is, in respect of the following accounts:

Account number	Cash balance as at 29 May 2020	Securities balance as at 29 May 2020
1. MH81003	HK\$ 873,868.37	-
2. MH81095	HK\$ 508,124.73	-
3. MH81067	HK\$ 3,641,684.91	-
4. MH80877	HK\$ 5,652,488.10	HK\$ 4,005,016.64

(hereinafter collectively referred to as the “**Accounts**”)

- subject to sub-paragraph (b) below, prohibited from disposing of or dealing with, or assisting, counselling or procuring another person to dispose of or deal with, any assets in any way in the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> accounts (namely, MH81003, MH81095, MH81067), and in relation to the 4<sup>th</sup> account (MH80877) up to the value of HK\$5,660,034.87, including:
    - entering into transactions in respect of any securities;
    - processing any withdrawals or transfers of securities and/or cash or any transfers of money arising from the disposal of securities; and
    - disposing of or dealing with any securities and/or cash on the instructions of any authorized person of the Accounts or any person acting on their behalf; and
  - required to deal with any securities and/or cash in the Accounts in a specified manner, namely, the Specified Corporation is required to notify and consult the Commission immediately upon receipt of any instruction(s) from the authorized person of the Accounts, or by any person acting on his/her behalf, to dispose of or deal with any securities and/or cash in the Accounts.
- 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 prohibitions and/or requirements specified in 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 prohibitions and/or requirements specified in this Notice to be withdrawn, substituted or varied.

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

Dated this 10<sup>th</sup> day of August 2020

For and on behalf of the Commission

Ashley Alder  
Chief Executive Officer

NOTICE UNDER SECTIONS 204 AND 205 OF THE  
SECURITIES AND FUTURES ORDINANCE  
CAP. 571 (“SFO”)

It appears to the Securities and Futures Commission (“**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 section 204(1)(a) and 205(1) of the SFO, Zhongcai Securities Limited (“**Specified Corporation**”) is, in respect of the following account (“**Account**”):

<b>Account number</b>	<b>Cash balance as at 29 May 2020</b>	<b>Securities balance as at 29 May 2020</b>
1100091	HK\$(480,479.48)	HK\$1,179,548.30

- (a) subject to sub-paragraph (b) below, prohibited from disposing of or dealing with, or 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\$423,471.27, including:
  - (i) entering into transactions in respect of any securities;
  - (ii) processing any withdrawals or transfers of securities and/or cash or any transfers of money arising from the disposal of securities; and
  - (iii) disposing of or dealing with any securities and/or cash on the instructions of any authorized person of the Account or any person acting on their behalf; and
- (b) required to deal with any securities and/or cash in the Account in a specified manner as follows:
  - (i) the Specified Corporation shall notify and consult the Commission immediately upon receipt of any instruction(s) from the authorized person of the Account, or by any person acting on his/her behalf, to dispose of or deal with any securities and/or cash in the Account; and/or
  - (ii) the Specified Corporation shall notify and consult the Commission prior to disposing of or dealing with any securities in the Account to cover the negative cash balance in the Account. The value of assets remaining in the Account, which shall in any event not fall below the sum of HK\$423,471.27, following the disposal of securities shall be subject to the prohibition in paragraph 1(a) above.

2. 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 prohibitions and/or requirements specified in 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 prohibitions and/or requirements specified in this Notice to be withdrawn, substituted or varied.

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

Dated this 10<sup>th</sup> day of August 2020

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) (“SFO”)**

1. Gary Cheng Securities Limited (“**GCS**”) and Zhongcai Securities Limited (“**Zhongcai**”) (collectively, “**Specified Corporations**”) are corporations licensed under the SFO to carry on the following regulated activities:
  - GCS – Type 1 and Type 4 regulated activities
  - Zhongcai – Type 1 regulated activity
2. It appears to the Securities and Futures Commission (“**Commission**”) that the imposition of the prohibitions and the requirements set out in the Notices of this date issued by the Commission under sections 204 and 205 of the SFO is desirable in the interest of the investing public and in the public interest.
3. The Commission has reached this view on the basis of the following matters:
  - (a) The evidence obtained by the Commission to date suggests that a group of traders (“**Traders**”) might have acted in concert in a pre-arranged manner to conduct manipulative trading and/or participated in a deceptive scheme in respect of the dealing in the shares of a company listed on the Stock Exchange of Hong Kong Limited (“**Company**”), by inflating the share price of the Company to an artificially high level followed by a massive disposal of the shares of the Company held by the Traders.
  - (b) The Commission takes the view that the Traders’ trading activities in the shares of the Company were not in line with those of genuine investors. The clients of the Specified Corporation (“**Clients**”), whose accounts are the subject of the Notices of this date issued by the Commission under sections 204 and 205 of the SFO, are amongst the Traders.
  - (c) The Commission has reasons to suspect that false trading, price rigging and/or stock market manipulation within the meaning of sections 274, 275 and/or 278 of the SFO might have taken place and/or persons might have committed market misconduct offences under sections 295, 296, 299 and/or 300 of the SFO.
  - (d) Where it appears to the Commission that a person has contravened any of the provisions of the SFO specified above, the Court of First Instance (“**CFI**”), on the application of the Commission, may make an order requiring the person to take such steps as the CFI may direct, including to take such steps to restore the parties to the transaction to the position in which they were before the transaction was entered into, or to pay damages to another person under section 213(8) of the SFO.
  - (e) The Commission believes that it is necessary to prevent the Clients and/or person(s) connected with the Clients from operating and dealing with the accounts specified in the Notices and to preserve the cash and securities in the accounts pending further investigation.

- (f) As there is a risk of dissipation, the Commission considers that it is desirable in the interest of the investing public and in the public interest to impose on the Specified Corporations the prohibitions and the requirements set out in the Notices issued by the Commission on this date.

Dated this 10<sup>th</sup> day of August 2020

For and on behalf of the Commission

Ashley Alder  
Chief Executive Officer