

# REGULATORY NEWSLETTER

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## Enforcement News

### SFC bans Lok Wai Fong for life

8 Oct 2018

<https://www.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/enforcement-news/doc?refNo=18PR115>

The SFC has banned Ms Lok Wai Fong, a former employee of Bank of China (Hong Kong) Limited, from re-entering the industry for life.

The SFC found that from April 2009 to January 2012, Lok transferred a sum of around \$1.6 million from the savings account of a customer to the bank account of a securities firm, without his knowledge and authorization. The transfers were made purportedly to settle trades conducted in the securities accounts in the name of Lok's niece and nephew-in-law when in fact the trades were Lok's own trades.

The SFC also found that Lok received securities trading instructions from the customer's wife, who is a customer of the Bank as well, but Lok failed to act on those instructions.



## Regulatory Updates

### Use of “nominees” and “warehousing” arrangements in market and corporate misconduct

9 Oct 2018

<https://www.sfc.hk/edistributionWeb/gateway/EN/circular/doc?refNo=18EC73>

This circular serves to remind intermediaries to be mindful of red flags indicating potential improper activities, make due follow-up enquiries with clients and report promptly to the SFC and other authorities where necessary.

Intermediaries should be vigilant in looking out for potential red flags that may suggest use of “nominee” and “warehousing” arrangements for illegitimate purposes.

#### Examples of red flags:

- clients effecting transactions involving large amounts of funds that are not commensurate with their financial profiles;
- clients only transacting in one or two stocks over an extended period;

- a large number of seemingly unrelated clients having authorised the same third party to operate their accounts;
- a large number of seemingly unrelated clients that share the same trading and settlement patterns or the same correspondence address;
- frequent and large fund transfers to and from third parties absent a credible commercial rationale or explanation; and
- clients transferring a large quantity of stock to and from third parties by way of bought and sold notes which do not appear to have been concluded on a normal commercial basis.

**Expected standards:**

- KYC - take reasonable steps to establish the true and full identify of each client and the beneficial owner;
- Third party operated accounts - implement proper controls and approval procedures for the opening of third party operated accounts;
- Third party payments - make enquiries of the client and consider whether the requests are reasonable in the circumstances, the frequency of third party payments, the relationship between the client and the third party and the purported reasons for these third party payments;
- Third party fund deposits - inquire about and document the reasons for the deposits and the relationship between the client and the third party, obtain supporting evidence from the client where necessary;
- Suspicious transactions - implement proper transaction monitoring procedures and pay special attention to transactions which may be indicative of potential illegal or manipulative activities.

The SFC reiterates that it will not tolerate any form of market or corporate misconduct. It will not hesitate to initiate criminal or other proceedings and impose disciplinary penalties where it establishes any failings on the part of intermediaries, including suspension or revocation of a licence or a registration, as well as fines on intermediaries and senior management (including the MICs of the intermediaries).