

STATEMENT OF DISCIPLINARY ACTION

The Disciplinary Action

1. The Securities and Futures Commission (**SFC**) has banned Mr Lee Wai Keung¹ (**Lee**) from re-entering the industry for 12 months pursuant to section 194 of the Securities and Futures Ordinance (**SFO**).
2. The disciplinary action is taken because Lee had concealed from his employer his beneficial interest in, and his personal trading activities conducted through, the account of his sister-in-law.

Summary of facts

3. Lee was a Responsible Officer of Glory Sky Global Markets Limited (**Glory Sky**) between 9 March 2006 and 26 June 2013.
4. Lee's sister-in-law opened a futures trading account with Glory Sky on 25 October 2007 (the **Account**). She declared in the account opening form that she is not related to any staff member or directors of Glory Sky. Lee signed as a witness on the account opening form.
5. Lee conducted trading in futures contracts for himself in the Account and provided all the trading funds in the Account. Lee's sister-in-law provided him with the password for her bank account for settlement of the transactions he conducted through the Account. Glory Sky had no knowledge of Lee's interest and personal trading in the Account.
6. There were transactions in various Hang Seng Index (**HSI**) futures contracts in the Account almost on a daily basis between January and June 2013. In particular, on 26 June 2013, there were several hundred transactions in HSI futures contracts for the month of June in the Account which resulted in a loss of more than \$2,000,000. Glory Sky made margin calls for the Account on 26 and 27 June 2013 and Lee settled the trading loss on 18 July 2013.
7. Pursuant to the employee dealing policy of Glory Sky, employees are required to open an employee account, with approval from the Compliance Officer, for personal trading through Glory Sky. All transactions for employees' personal accounts are separately recorded and identified in the records of Glory Sky.
8. The employee dealing policy of Glory Sky also requires that employees declare, upon joining Glory Sky and on an annual basis, their employee accounts maintained with Glory Sky (including any account in which an employee has a beneficial interest) and accounts maintained with other licensed corporations.

¹ Lee was licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 3 (leveraged foreign exchange trading) regulated activities under the SFO, and was accredited to Glory Sky Global Markets Limited for the aforementioned types of regulated activities from 16 December 2009, 8 August 2003 and 6 September 2005 respectively, and was approved to act as a Responsible Officer for Type 2 regulated activity from 9 March 2006, until 26 June 2013, when his licence and approval to act as Responsible Officer was deemed to have been revoked. He is currently not licensed by the SFC.

9. Lee explained that he did not open an employee account with Glory Sky to conduct his personal trades and used the Account instead because he did not want Glory Sky to know about his personal trades.

Breaches and reasons for action

10. General Principle 1 of the Code of Conduct² requires all licensed persons to act honestly, fairly, and in the best interests of their clients and the integrity of the market when conducting their business activities.
11. Paragraph 12.2 of the Code of Conduct requires licensed corporation to implement procedures and policies on employee trading and to actively monitor the trading activities in their employee's accounts and their related accounts.
12. Lee's concealment of his beneficial interest in and personal dealings through his sister-in-law's account was dishonest and amounts to a breach of General Principle 1 of the Code of Conduct.
13. Lee's conduct had also made it impossible for Glory Sky to fully discharge its obligations under paragraph 12.2 of the Code of Conduct to actively identify and monitor his trading activities, and to detect any potential conflict of interest situations and/or other malpractices arising from such activities.
14. Accordingly, the SFC has decided to take the disciplinary action against Lee described in paragraph 1 above.

Conclusion

15. In deciding the disciplinary sanction, the SFC has taken into account all relevant circumstances, including:
 - (a) Lee's concealment of his trading activities from his then employer was deliberate and dishonest;
 - (b) Lee's wilful disregard for the employee dealing policy of Glory Sky and frustrated its ability to monitor employee trading;
 - (c) Lee's concealment of the Account lasted over six years; and
 - (d) Lee has no previous disciplinary record.

² Code of Conduct for Persons Licensed by or Registered with the SFC