
STATEMENT OF DISCIPLINARY ACTION

The Disciplinary Action

1. The Securities and Futures Commission (**SFC**) has revoked the licence of IDS Forex HK Limited (**IDS Forex**) and prohibited its former co-chief executive officers, Mr Chung Wooman (**Chung**) and Mr Ki Bonggan (**Ki**), from re-entering the industry for life pursuant to section 194 of the Securities and Futures Ordinance (**SFO**).
2. IDS Forex was licensed under the SFO to carry on business in Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities) and Type 9 (asset management) regulated activities.
3. Chung was licensed under the SFO and approved as a responsible officer (**RO**) of IDS Forex in respect of its Type 3 (leveraged foreign exchange trading) regulated activity from 30 June 2015 to 11 May 2016, and from 21 July 2016 and 29 May 2017. He was also the former co-chief executive officer and director of IDS Forex. Chung is currently not licensed by the SFC.
4. Ki was the co-chief executive officer and director of IDS Forex between June 2016 and June 2017. Ki was and is not licensed by the SFC, but comes within the definition of a “regulated person” which include a person who is or at the relevant time was a person involved in the management of the business of a licensed corporation.

Background

5. In early June 2017, the SFC conducted an inspection (**Inspection**) of the business operations of IDS Forex after receiving a self-report from IDS Forex’s then ROs concerning its sole shareholder, Kim Sunghun (**Kim**), who was convicted and sentenced to 12 years of imprisonment in Korea in February 2017 for illegal fundraising and fraud after his arrest there in September 2016.
6. According to the Korean Court Charges Sheets provided by the ROs, Kim was involved in a fraudulent investment scheme under which 12,076 investors had been deceived between 21 November 2011 and 26 August 2016 in the total amount of nearly KRW1.1 trillion (equivalent to over HK\$7.6 billion) (**Fraudulent Scheme**).
7. On 12 June 2017, the SFC issued a restriction notice on IDS Forex prohibiting the firm from carrying on all activities for which it is licensed, disposing of or dealing with any assets held by it or held on behalf of its clients, and assisting, counselling or procuring another person to dispose of or deal with any such property without the SFC’s prior written consent (**Restriction Notice**).
8. The Restriction Notice was issued on the basis that the SFC had reasons to believe, among other things, that the capital injections made by Kim into IDS

Forex might be wholly, or in part, proceeds of crime, and might be an attempt to launder the proceeds of crime.

Summary of Facts

9. The SFC's investigation found that Kim was an officer involved in the management of IDS Forex. Among other things, the evidence shows:
 - (a) in June 2015, Kim became a shareholder of IDS Forex after injecting HK\$27 million into the firm and was allotted 27 million shares in the firm in return. He later became the sole shareholder of IDS Forex in September 2015. Between December 2015 and August 2016, he had made capital injections in the total sum of HK\$165 million into IDS Forex;
 - (b) Kim regularly visited IDS Forex's office and together with Chung and Ki, he had arranged for groups of visitors to visit the office and presented to them about the business of IDS Forex and another IDS entity behind closed doors;
 - (c) Kim was employed in the capacity of "chairman" at IDS Forex, and was also a signatory of IDS Forex's bank accounts held at HSBC and Dah Sing Bank; and
 - (d) Chung and Ki reported to Kim directly about IDS Forex's business operations and executed his investment decisions.
10. As a result of Kim's role at IDS Forex, the SFC is of the view that Kim's arrest and conviction in Korea, which fundamentally impugns his reputation, character and reliability, called into serious question IDS Forex's fitness and properness to be licensed¹.
11. The SFC's concerns over IDS Forex's fitness and properness are aggravated by: (i) the correlation between the timing of the Fraudulent Scheme and Kim's capital injections into IDS Forex (see paragraphs 6 and 9(a) above); and (ii) IDS Forex's failure to notify the SFC within seven business days after Kim's arrest and conviction as required under section 4 of the Securities and Futures (Licensing and Registration) (Information) Rules² (**Licensing Information Rules**).
12. The evidence further shows that Chung and Ki became aware of Kim's arrest and conviction shortly after the events. However, in May 2017, when IDS Forex's responsible officer and director in charge of compliance indicated he

¹ Under section 129(1)(d) of the SFO, the SFC may take into account the reputation, character and reliability of an "officer" of a corporation in considering whether the corporation is fit and proper to be licensed. The definition of "officer" in Schedule 1 to the SFO includes a person involved in the management of the corporation.

² This is also a breach of General Principle 7 and paragraph 12.1 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (**Code of Conduct**), which require licensed corporations to comply with all legal and regulatory requirements applicable to the conduct of its business activities, including the Licensing Information Rules.

would report the matter to the SFC, Ki attempted to prevent him from doing so.

13. Ki did not notify the SFC about Kim's arrest and conviction until the Inspection, while Chung remained silent all the while. Chung's and Ki's failures to report to the SFC about Kim's arrest and conviction within the prescribed time limit show a lack of integrity and reliability on the parts of IDS Forex and its former senior management.

Conclusion

14. In the circumstances, the SFC considers it is necessary to revoke the licence of IDS Forex, and to prohibit Chung and Ki from entering/re-entering the industry for life as it is of the view that:
 - (a) IDS Forex's fitness and properness to remain as a licensed corporation have been fundamentally called into question. In addition, it has also breached section 4 of the Licensing Information Rules, and General Principle 7 and paragraph 12.1 of the Code of Conduct.
 - (b) There are serious doubts over Chung's and Ki's characters, reliability and ability to carry on regulated activities competently, honestly and fairly, and their fitness and properness to be regulated persons. Moreover, IDS Forex's misconduct shall also be regarded as Chung's and Ki's misconduct as it had occurred with their consent or connivance of, or was attributable to neglect on their parts³.
15. In reaching this conclusion, the SFC has taken into account all the relevant factors, including:
 - (a) the Restriction Notice of 12 June 2017;
 - (b) the need to remove IDS Forex from the industry in order to protect the investing public, and to preserve the confidence of investors and the public in market integrity;
 - (c) the available information suggests IDS Forex is no longer in operation so it is unlikely that any former employees and/or clients would be adversely affected by the revocation of IDS Forex's licence; and
 - (d) Chung and Ki have no place in the industry because of their lack of reliability and integrity, which are fundamental to the fitness and properness of regulated persons, especially those involved in the management of a licensed corporation.

³ Section 193(2)(a) of the SFO. In addition, as a former licensed individual, Chung has also breached General Principle 9 of the Code of Conduct, which requires senior management of licensed corporations to maintain appropriate standards of conduct by the firm.