
STATEMENT OF DISCIPLINARY ACTION

The Disciplinary Action

1. The Securities and Futures Commission (**SFC**) has banned Mr Peter Law Chi Kin (**Law**) from re-entering the industry for 10 years from 26 April 2023 to 25 April 2033 and fined him HK\$535,500 pursuant to section 194 of the Securities and Futures Ordinance (**SFO**).
2. The SFC found that Law:
 - (a) participated in a stock manipulation scheme involving a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (**Company A**)¹ by soliciting and arranging for 10 clients and / or friends of his (collectively, the **Clients**, and each a **Client**) to purchase the shares of Company A (**Shares**) from manipulators involved in the scheme on the market on / at designated dates, time and at an agreed price;
 - (b) received HK\$535,500 from the manipulators for his involvement in the scheme but did not disclose to the Clients his financial interest in the transactions; and
 - (c) provided reckless advice to the Clients in connection with their investment in the Shares.

Summary of Facts

3. At the material time, Law was licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO and was accredited to Convoy Asset Management Limited (currently known as OnePlatform Asset Management Limited) (**CAML**) from 12 October 2012 to 15 December 2016².
4. The SFC's investigation stemmed from a complaint by one of the Clients alleging that Law conspired with others to manipulate the share price of Company A.

The stock manipulation scheme

5. In mid-2016, Wong Kwun Shing (**Wong**)³, Law's colleague at CAML, introduced to Law a scheme operated by certain unknown manipulators to offload the Shares to retail investors who were willing to hold onto the same for one to three months in return for a cash rebate of 12% to 15% of the transaction value (**Scheme**).

¹ Company A was subsequently privatised and the listing of its shares was withdrawn in 2021.

² Law is currently not licensed by the SFC.

³ Wong was banned for life by the SFC. Please refer to the SFC's press release dated [1 March 2023](#).

6. Between June and July 2016, Law solicited and arranged for the Clients to buy the Shares from the manipulators. In particular:
 - (a) In order to entice the Clients to participate in the Scheme, Law represented that he had met the manipulators to discuss the plan to push up the share price of Company A, when in fact he neither knew nor had direct contact with the manipulators.
 - (b) Attracted by the cash rebate and / or Law's representation, the Clients agreed to buy and hold the Shares until Law gave them permission to sell.
 - (c) Law coordinated with Wong in arranging the transactions through which the Clients acquired the Shares:
 - (i) Wong would agree the date, time, quantity and price of each transaction with the manipulators in advance and inform Law of the same. On / at the agreed date and time, the manipulators would place an ask order within one to two spreads of the prevailing nominal price. Upon receiving Wong's confirmation, Law would instruct the Client to place a corresponding bid order.
 - (ii) After the transaction was completed, Wong would pay the cash rebate collected from the manipulators to Law for onward distribution to the Client.
 - (d) Before the Clients were allowed to dispose of the Shares, the share price of Company A collapsed and they suffered substantial losses.
7. Law admitted that he received a "referral fee" from Wong / the manipulators for soliciting the Clients to participate in the Scheme, which was calculated on the basis of the value of the Shares the Clients purchased. He did not disclose to the Clients his financial interest in the transactions.

Reckless advice to the Clients

8. The SFC also found that Law repeatedly gave reckless advice to some of the Clients in connection with their investment in the Shares. For example:
 - (a) He represented that the Scheme was "100% safe" and riskless, or had a guaranteed return of 12%, without explaining that the Clients might suffer losses if the share price of Company A were to drop.
 - (b) He suggested that one of the Clients sell all her existing holdings and use the proceeds to invest in Company A, without analysing and warning her of the concentration risk.
 - (c) He recommended that two of the Clients make use of the overdraft facilities offered by a brokerage firm to acquire a larger quantity of the Shares when they did not have sufficient cash to do so, without explaining to them the risks that the brokerage firm might require them to deposit extra cash into their accounts. Instead, he assured one of them that the brokerage firm would not force sell the Shares in his account, and advised the other to ignore the brokerage firm's demand for deposit of additional

funds. In the end, both their Shares were force sold by the brokerage firm when the share price of Company A plummeted.

- (d) When the share price of Company A started to fall, he dissuaded the Clients from offloading their Shares and reassured them that they would recoup their losses or even make a profit by holding onto the Shares. As a result, the Clients missed the opportunities to mitigate their losses.

Conclusion

9. In light of the above, the SFC is concerned that Law failed to:
 - (a) act honestly, fairly, and in the best interests of his clients and the integrity of the market, in breach of General Principle 1 of the Code of Conduct for Persons Licensed by or Registered with the SFC (**Code of Conduct**);
 - (b) avoid conflicts of interest, and when they could not be avoided, ensure that his clients would be fairly treated, in breach of General Principle 6 of the Code of Conduct;
 - (c) act diligently and carefully in providing advice to his clients and ensure that his advice and recommendations were based on thorough analysis, in breach of paragraph 3.4 of the Code of Conduct; and
 - (d) disclose his material interest / conflict of interest in a transaction and take all reasonable steps to ensure fair treatment of his clients, in breach of paragraph 10.1 of the Code of Conduct.
10. The SFC is of the view that Law is guilty of misconduct. His conduct casts serious doubts on his character, reliability, and ability to carry on regulated activities competently, honestly and fairly, calling into question his fitness and propriety to be licensed.
11. In reaching the decision to take the disciplinary action set out in paragraph 1 above, the SFC has taken into account all relevant circumstances, including:
 - (a) Law's misconduct was deliberate, serious and blatantly dishonest and led to significant losses for his clients;
 - (b) a strong deterrent message to the industry that the SFC will not tolerate such misconduct;
 - (c) Law's admission of his involvement in the scheme and willingness to accept disciplinary sanctions, as well as his remorse; and
 - (d) his otherwise clean disciplinary record.