STATEMENT OF DISCIPLINARY ACTION

The Disciplinary Action

1. The Securities and Futures Commission (**SFC**) has prohibited Andy Lau Ka Ho (**Lau**)[1], a former licensed representative of Sun Hung Kai Investment Services Limited (**SHKIS**), Sun Hung Kai Commodities Limited (**SHKCOM**) and SHK Fund Management Limited (**SHKFM**) (collectively, **SHK Entities**) from re-entering the industry for life pursuant to section 194 of the Securities and Futures Ordinance (**SFO**).

2. The SFC found that, between September 2014 and May 2019 (**Relevant Period**), Lau, an account executive at SHKIS responsible for handling the securities trading accounts of a client, X:

   (a) conducted unauthorised trades in X's securities trading accounts;

   (b) carried out online trading via X's securities trading accounts without X's knowledge or authorization;

   (c) sent fabricated trading instructions from X's email account to Lau's office email, thereby falsely representing them as instructions from X;

   (d) provided X with forged account statements and account summary reports which contained false account information, with most of the forged statements showing significant overstatement of cash balances and net portfolio values; and

   (e) forestalled X's cash withdrawal from his accounts by falsely claiming that a 3.94% annual interest rate was available to X for a three-month deposit of HK$59 million, asserting that the deposit arrangement had been made on X's behalf, and providing X with a forged certificate of deposit confirmation (**CDC**) to support the fabricated arrangement.

Summary of Facts

3. Following a self-report jointly made by the three SHK Entities, the SFC conducted an investigation into potential misconduct by Lau in his handling of X's accounts at SHKIS.

[1] Lau was accredited to:
   (i) SHKIS (now known as Everbright Securities Investment Services (HK) Limited) to carry out Type 1 (dealing in securities) regulated activity between 15 September 2014 and 3 March 2020;
   (ii) SHKCOM (now known as CES Commodities (HK) Limited) to carry out Type 2 (dealing in futures contracts) regulated activity between 16 August 2016 and 3 March 2020; and
   (iii) SHKFM (now known as Bright Fund Management Limited) to carry out Type 9 (asset management) regulated activity between 5 September 2016 and 3 March 2020 under the SFO.
Subsequently, Lau became a relevant individual engaged by Standard Chartered Bank (Hong Kong) Limited to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO between 19 March 2020 and 24 March 2021. Lau is currently not licensed by the SFC or registered with the Hong Kong Monetary Authority.

4. During the Relevant Period, X maintained multiple trading accounts at SHKIS (**Accounts**), including two cash securities trading accounts and a margin securities trading account, for which online trading services (**Online Accounts**) were activated.

A. Unauthorised trades

5. Between 7 October 2014 and 15 May 2019, 5,152 stock transactions were executed in the Accounts. Of these:

   (a) 4,038 were placed through the Online Accounts (**Online Transactions**); and

   (b) 1,114 were placed via Lau as the account executive for the Accounts (**AE Transactions**), of which 1,086 were supported by email instructions (**Gmail Instructions**) purportedly sent by X from his Gmail address (i.e. X's designated correspondence email address at SHKIS) (**Gmail Account**) to Lau's office email. There is no record of instructions from X for the remaining 28 AE Transactions.

6. X claimed that both the Online Accounts and the Gmail Account were set up by Lau, and that he had never placed any orders through the Online Accounts or used the Gmail Account to send trading instructions to Lau. X further alleged that numerous transactions in the Accounts were unauthorised or did not conform to the instructions he had given to Lau via WeChat.

7. The SFC's investigation found that:

   (a) Lau operated and placed orders through the Online Accounts during the Relevant Period without X's knowledge or authorisation.

   (b) The Gmail Instructions were not genuine instructions from X. Lau had access to and used the Gmail Account to fabricate the Gmail Instructions to support the AE Transactions.

   (c) 93 stock transactions in the Accounts were clearly inconsistent with X's trading instructions given to Lau via WeChat (**Contrary Trades**) and therefore unauthorised.

   (d) In addition to the 93 Contrary Trades, the Online Transactions for which no corresponding order instructions from X were found in the WeChat messages between X and Lau and all of the AE Transactions were also likely unauthorised trades.

B. Forged account statements

8. During the Relevant Period, Lau provided X with at least 12 sets of forged monthly statements for the Accounts, covering January to November 2018 and January 2019 (**Forged Statements**). In most of these statements, the financial position of the Accounts was materially misrepresented by significantly overstating cash balances and net portfolio values. For example, the Forged Statement for January 2019 presented a positive cash balance of HK$59.39 million, whereas the official monthly statement for that month recorded a negative cash balance of HK$9.17 million—a discrepancy of more than HK$68 million.

9. In addition to the above, four forged monthly statements for August 2017, December 2017, December 2018 and February 2019 and one forged daily statement for 12 January 2017 (**Additional Forged Statements**) were found in Lau's office email mailbox.

10. A series of emails retrieved from Lau's office mailbox indicates that he was involved in the creation of the Forged Statements and Additional Forged Statements. Specifically, Lau forwarded the official account statements to his office email, had them converted into editable formats, and circulated the forged versions between his personal and office email accounts.

11. Furthermore, 172 emails sent from Lau to X were found in Lau's office mailbox, each attaching an account summary report (**Summary Reports**) containing false or misleading account information. The inaccurate figures shown in the Summary Reports for certain month-end dates largely mirrored those presented in the corresponding Forged Statements.

12. During a meeting with X, Lau admitted to altering the account statements and providing X with statements containing incorrect information, due to concerns about revealing the losses incurred in the Accounts.

C. Fabricated deposit arrangement and forged CDC

13. WeChat messages between Lau and X reveal that, in January 2019, X intended to withdraw HK$50 million from the Accounts to place a 3-month deposit at another bank. Lau responded by advising X that his supervisor at SHKIS could secure a 3-month deposit at an annual interest rate of 3.94% (**Deposit Arrangement**). Consequently, X decided not to withdraw the funds and instructed Lau to proceed with the Deposit Arrangement. Lau later personally presented the CDC to X as proof of the Deposit Arrangement.

14. The purported principal sum of HK$59 million under the Deposit Arrangement matched the falsified positive cash balances shown in the Forged Statements and the Summary Reports. In reality, the Accounts only had a negative cash balance at the material time.

15. SHKIS confirmed that they had neither offered the Deposit Arrangement nor issued the CDC. Accordingly, the Deposit Arrangement was fictitious, and the CDC was a forged document.

The SFC's findings

16. Lau's conduct, as detailed above, is blatantly dishonest and demonstrates a pattern of deliberate deceit. In particular, he fabricated the Gmail Instructions, provided X with the Forged Statements, and created the fictitious Deposit Arrangement, all with the intent to conceal unauthorised trades in the Accounts and prevent X from discovering the true financial state of the Accounts. This behaviour reflects a fundamental disregard for his obligations as a licensed person and calls into question Lau's character, reliability and ability to carry on regulated activities honestly and fairly.

17. Lau's conduct also constitutes breaches of the following provisions of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (**Code of Conduct**):

(a) General Principle (**GP**) 1 of the Code of Conduct, which requires a licensed person to act honestly, fairly, and in the best interests of his clients and the integrity of the market in conducting its business activities.

(b) paragraph 2.1 of the Code of Conduct, which requires a licensed person who advises or acts on behalf of a client to ensure that any representations made and information provided to the client are accurate and not misleading;

(c) paragraph 7.1(a) of the Code of Conduct, which provides that a licensed person should not effect a transaction for a client unless before the transaction is effected, the client, or a person designated in writing by the client, has specifically authorised the transaction;

(d) GP 8 and paragraph 11.1(a) of the Code of Conduct, which provide that a licensed person should, in the handling of client transactions and client assets, act to ensure that client assets are promptly and properly accounted for and adequately safeguarded; and

(e) GP 7 and paragraph 12.1 of the Code of Conduct, which require a licensed person to comply with all applicable regulatory requirements.

Conclusion

18. Having considered all the circumstances, the SFC is of the view that Lau is guilty of misconduct and is not a fit and proper person to be licensed.

19. In deciding the sanction set out in paragraph 1 above, the SFC has taken into account all relevant circumstances, including that Lau's conduct persisted for over five years and involved egregious deceptive behaviour.