

G.N. 4481

NOTICE UNDER SECTIONS 204 AND 205 OF THE SECURITIES  
AND FUTURES ORDINANCE (Chapter 571)  
(the Ordinance)

It appears to the Securities and Futures Commission (the Commission), for the reasons set out in the Statement of Reasons annexed hereto, that the Commission should exercise the powers conferred by sections 204 and 205 of the Ordinance.

THE COMMISSION HEREBY GIVES NOTICE THAT:—

Except with the prior written consent of the Commission, such consent to be granted by the Chief Executive Officer or the Executive Director of Intermediaries and Investment Products of the Commission:—

1. Pursuant to section 204(1) of the Ordinance, Tiffit Securities (Hong Kong) Limited (the Specified Corporation) is prohibited from carrying on, whether directly or through agents, all of the regulated activities for which it is licensed by the Commission.
2. Pursuant to section 205(1) of the Ordinance, the Specified Corporation is:—
  - (a) prohibited from disposing of any relevant property (as defined in section 205(2) of the Ordinance) and dealing with any relevant property in any manner; and
  - (b) prohibited from assisting, counselling or procuring another person to dispose of any relevant property or dealing with any relevant property in any manner.

Pursuant to the provisions of section 217 of the Ordinance, an application may be made to the Securities and Futures Appeals Tribunal for a review of the decision to impose the prohibitions imposed by this Notice. Such application must be made within twenty-one days after the day on which this Notice is served on the Specified Corporation. Further, pursuant to section 208 of the Ordinance, the Specified Corporation may apply to the Commission for the prohibitions imposed by this Notice to be withdrawn, substituted or varied.

This Notice takes effect at the time of service upon the Specified Corporation.

Dated this 18th day of July 2006

For and on behalf of  
Securities and Futures Commission

Martin Wheatley  
Chief Executive Officer

STATEMENT OF REASONS  
PURSUANT TO SECTION 209(2) OF THE SECURITIES AND  
FUTURES ORDINANCE (Chapter 571)  
(The Ordinance)

1. Tiffit Securities (Hong Kong) Limited (the Specified Corporation) is a corporation licensed under the Ordinance to carry on a business in Type 1, 4 and 6 regulated activities, namely, dealing in securities, advising on securities and advising on corporate finance. Mr. Kwok Wood Yan (Kwok) is the majority shareholder of the Specified Corporation and one of its four Responsible Officers.
2. It appears to the Securities and Futures Commission (the Commission) that:—
  - (a) the Specified Corporation has dissipated, transferred or otherwise dealt with clients' property in a manner prejudicial to the interest of its clients and that there might be further such dissipation, transfer or dealing;
  - (b) the Specified Corporation is not a fit and proper person to carry on the regulated activities for which it is licensed; and
  - (c) the imposition of the prohibitions set out in the Notice issued by the Commission under sections 204 and 205 of the Ordinance to which this Statement of Reasons is attached, is desirable in the interest of the investing public or in the public interest.

3. The Commission has reached these views on the basis of the following matters:—

*The Securities and Futures (Financial Resources) Rules (FRR)*

On 16 June 2006, the Specified Corporation submitted a financial return to the Commission and reported that it had an excess liquid capital of approximately HK\$1.59 million as at 31 May 2006. The return was signed by Kwok in his capacity as Responsible Officer of the Specified Corporation, certifying the information in the returns to be true and correct to the best of his knowledge and belief. The Commission subsequently discovered that the Specified Corporation in fact had a required liquid capital deficit of approximately HK\$3.35 million as at 31 May 2006.

During a meeting with the Commission on 14 July 2006, Kwok admitted in writing that the Specified Corporation had a required liquid capital deficit of approximately HK\$800,000 as at 30 June 2006, including a provision of HK\$560,000 to cover the shortfall of securities in 6 client accounts. Kwok also admitted that the Specified Corporation had previously sold the securities held in the 6 client accounts. Later on the same day, Kwok provided a signed liquid capital computation as at 30 June 2006 reflecting a required liquid capital deficit of HK\$886,000.

By a letter dated 18 July 2006, the solicitors acting for the Specified Corporation advised the Commission that the Specified Corporation is unable to comply with the liquid asset obligations imposed on it under the FRR.

*Purported rectification steps taken*

During the meeting on 14 July 2006, Kwok agreed to buy back the necessary securities that same afternoon for the purpose of returning these to the 6 clients whose accounts were in deficit. He also agreed to arrange funding of HK\$900,000 to make good the required liquid capital deficit. Later the same day, the Commission was provided with bank records showing a deposit of HK\$900,000 into the bank account of the Specified Corporation earlier in the day.

During a meeting between the Commission and Kwok on the morning of 17 July 2006, Kwok was asked to provide the Commission with any relevant information concerning the matters that had been under review by the Commission concerning the affairs of the Specified Corporation. Kwok failed to mention that, following the receipt by the Specified Corporation of HK\$900,000 on 14 July 2006, that same amount had been withdrawn on the following day. Accordingly, Kwok appears to have arranged for the deposit of the sum of HK\$900,000 into the bank account of the Specified Corporation, followed by its prompt withdrawal, for the purpose of misleading the Commission into incorrectly believing that the liquid capital deficit of the Specified Corporation had been made good. He appears to have further intentionally misled the Commission into believing that the HK\$900,000 remained in the bank account of the Specified Corporation by failing to disclose its withdrawal at his meeting with the Commission on 17 July 2006.

Later on 17 July 2006, when reviewing the bank records of the Specified Corporation as of 15 July 2006, the Commission observed that the Specified Corporation had in fact issued two cheques in the aggregate sum of HK\$900,000 on 15 July 2006. When confronted with the evidence of this on 17 July 2006, Kwok advised the Commission that he decided to withdraw the money on 15 July 2006, in anticipation that the Commission might take restrictive action against the Specified Corporation.

*Irregular stock movements in Client Accounts*

On 11 July 2006, the Commission obtained a copy of the June 2006 statement of account of a client of the Specified Corporation bearing the account no. WY10-. The Commission has found account no. WY10- unusual for the following reasons:—

- (a) The client had another account bearing the account no. WY10 with the Specified Corporation. Her brother was the account executive of account no. WY10. During an interview on 12 July 2006, the account executive informed the Commission that he was not aware of the existence of account no. WY10-.
- (b) On 18 April 2006, 1,000 Hang Seng Bank shares were bought by account no. WY10.

- (c) On 21 April 2006, 1,000 Hang Seng Bank shares were withdrawn from account no. WY10 apparently without instructions from the client. On the same day, 1,000 Hang Seng Bank shares were deposited into account no. FL03 held by the Specified Corporation, but with no supporting evidence to demonstrate the said deposit into the CCASS.
- (d) The Commission has identified 15 other client accounts with a '-' notation and has sought a written explanation of the purpose and nature of these accounts. No satisfactory explanation has been provided by the Specified Corporation concerning these accounts and these are being reviewed by the Commission.

*Commission's Conclusions*

The Commission considers that Kwok's actions call into serious doubt his integrity and, by necessary implication, the integrity of the Specified Corporation and its fitness and properness to remain licensed. In this connection, the Commission is also mindful of the facts that:—

- (a) in 2001, Kwok was publicly reprimanded in connection with the repeated breach by Tai Fat Securities Company of section 81 of the Securities Ordinance involving the pledging client shares when either no signed authorizations from the clients in question had been obtained, or they had expired, and for deficiencies in the internal controls of Tai Fat Securities Company through the lack of adequate supervision of its day to day operation; and
- (b) in 2004/2005, the Specified Corporation was reprimanded and Kwok was suspended as its responsible officer for seven months, following convictions on the part of the Specified Corporation and Kwok for providing misleading information to the Commission, failing to maintain the required level of liquid capital and failing to notify the Commission of the liquid capital deficiencies.

In light of all of these matters, the Commission considers it desirable in the interest of the clients of the Specified Corporation, and more particularly in the interest of preserving their assets, and in the wider interest of the investing public or in the public interest, to impose on the Specified Corporation the prohibitions stipulated in the Notice to which this Statement of Reasons is attached.

Dated this 18th day of July 2006

For and on behalf of  
Securities and Futures Commission

Martin Wheatley  
Chief Executive Officer