

IN THE MATTER OF

Complaints made under section 42C(1) of the Professional Accountants Ordinance (Cap. 50)

BETWEEN

An Investigation Committee of HKICPA Complainant

AND

HLB Hodgson Impey Cheng (#0495) 1st Respondent

Mr. Cheng Chung Ching, Raymond (F04820) 2nd Respondent

Mr. Lai Tak Shing, Jonathan (F05358) 3rd Respondent

Disciplinary Committee:

Mr. Shum, Sze Man, Erik Ignatius (Chairman)

Mr. Fung, Wei Lung, Brian

Ms. Yu, Ho Wun, Grace

Mr. Chan, Wai Tong, Christopher

Dr. Kam, Pok Man

Date of Hearing: 24 and 26 April 2017, 24 July 2017

Date of Decision: 19 January 2018

DECISION

1. The Complaints against the three Respondents relate to alleged breaches of the standards of assurance practices and sufficiency of documentation in the work undertaken by the Respondents for a securities firm, namely Tiffit Securities (Hong Kong) Limited (“Tiffit”), for the three relevant fiscal years ended on 31 March of 2003, 2004 and 2005.

Background and Undisputed facts

2. The Complainant is an Investigation Committee constituted under Section 42C(2) of the Professional Accountants Ordinance, Cap. 50 (“PAO”) who investigated into the work undertaken by the 1st Respondent, namely HLB Hodgson Impey Cheng (“HLB”) in respect of Tiffit while the 2nd and 3rd Respondents were the individual certified public accountants responsible for such work for the respective fiscal years.
3. HLB is a firm of certified public accountants registered with the Hong Kong Institute of Certified Public Accountants (“Institute”). HLB was engaged by Tiffit to undertake financial audit engagement and separate compliance reporting engagement for each of said three years.
4. The 2nd Respondent and 3rd Respondent were certified public accountants and partners of HLB.
5. Tiffit was a corporation licensed under the Securities and Futures Ordinance (Cap. 571) (“SFO”) and its predecessor, i.e. the Securities Ordinance (Cap. 333) (“SO”) to principally carry on businesses of dealing in securities for cash clients only, as well as advising clients on securities and corporate finance.
6. For the year ended 31 March 2003, HLB issued an audit and compliance report under the statutory requirements of Section 88 of the SO and Rule 4 of the Securities (Accounts and Audit) Rules, Cap 333B (“Old Accounts and Audit Rules”), in respect of Tiffit’s compliance with sections 81, 83 and 84 of the SO. In its report, HLB only reported certain exceptions during the year which were stated to have been rectified by Tiffit subsequently, which were of no significance for the purpose of the Complaints. Those exceptions primarily included failures in recording a bank overdraft in the books and in maintaining client money in a separate account.
7. For the years ended 31 March 2004 and 31 March 2005, HLB issued unqualified compliance reports under the requirements of section 156 of the SFO and Rule 4(e) and (f) of the Securities and Futures (Accounts and Audit) Rules, Cap. 571P (“Accounts and Audit Rules”) in respect of Tiffit’s compliance with the Securities and Futures (Client Securities) Rules, Cap. 571H (“Client Securities

Rules”) and the Securities and Futures (Client Money) Rules, Cap. 571I (“Client Money Rules”) and in respect of the adequacy of the systems of control of Tiffit to ensure compliance with those rules.

8. In respect of the said report for the year ended 31 March 2003, Mr. Cheng was the engagement partner signing the (combined) financial audit and compliance report on behalf of HLB, with Mr. Lai as the concurring partner who had performed a concurrent review of the compliance reporting work.
9. In respect of the reports for the years ended 31 March 2004 and 31 March 2005, Mr. Lai was the engagement partner signing the compliance reports on behalf of HLB whilst Mr. Cheng was the concurring partner who had performed a concurrent review of the compliance reporting work.
10. The aforementioned compliance reporting work for the years ended 31 March 2003, 31 March 2004 and 31 March 2005 shall hereinafter be referred to as “the 2003 Reporting”, “the 2004 Reporting” and “the 2005 Reporting”. The corresponding compliance reports issued by the Respondents will be referred to as “the 2003 Report”, “the 2004 Report” and “the 2005 Report” respectively.
11. In addition to the compliance reporting work mentioned above, the Respondents were also engaged by Tiffit to conduct the following:-
 - a. Internal Control Review in December 2001;
 - b. Follow-up Internal Control Review in April 2002;
 - c. SFC Circularisation Exercise in November 2002; and
 - d. Audit of the financial statements of Tiffit for each of the years ended 31 March 2003, 2004 and 2005.
12. The Investigation Committee issued its report on 16 November 2009, finding that the Respondents had failed to perform their procedures with sufficient professional skepticism in relation to assessing anomalies in certain client accounts and that they had failed to obtain sufficient appropriate evidence in support of HLB’s unqualified opinions on Tiffit’s compliance with the Client Money Rules and the Client Securities Rules for the years ended 31 March 2004 and 2005

and sections 81, 83 and 84 of the SO for the year ended 31 March 2003, or alternatively, that they had failed to sufficiently document evidence obtained. The Investigation Committee further found that there were deficiencies in the client circularisation procedures performed by the Respondents for the purpose of their compliance reporting on Tiffit.

13. The Investigation Committee's findings and conclusions suggested that HLB's underlying policies, internal controls and procedures were either inadequate in the circumstances or were inadequately enforced.
14. In light of the above and findings set out in the report of the Investigation Committee, the following 12 complaints were submitted and lodged against the Respondents under Section 42C(1) of the PAO which are set out in the following paragraphs.

The Complaints

15. There are altogether 12 complaints. The 1st to 6th Complaints are against HLB and the 2nd Respondent, Mr. Cheng jointly relating to the compliance report issued and signed by the latter for the year ended 31 March 2003. The 7th to 12th Complaints are against HLB and the 3rd Respondent, Mr. Lai jointly relating to the compliance reports issued and signed by the latter for the two years ended 31 March 2004 and 31 March 2005.
16. It is not disputed that if any one charge is substantiated, HLB and the individual personal Respondent will be convicted together and vice versa. It is on this basis that each charge will be considered and analysed. The Committee considers each charge separately and distinctly on the evidence relevant to that charge only. The Committee adopts the civil standard of proof of balance of probabilities with the burden of proving each charge on the Complainant.
17. Although Mr. Cheng and Mr. Lai each is subject to separate sets of complaints, the nature of complaints towards each one of them is similar so the term "the Respondents" shall be used to refer to either "HLB and Mr. Lai" or "HLB and Mr. Cheng" under the relevant complaints discussed below unless otherwise stated.

18. The 12 Complaints are listed below:

- a. 1st Complaint: Section 34(1)(a)(vi) of the PAO applies to HLB and Mr. Cheng in that they had failed or neglected to observe, maintain or otherwise apply a professional standard, namely Standard on Assurance Engagements 200 “High Level Assurance Engagements” (“SAE 200”), in conducting the test work supporting their compliance reporting relating to Tiffit for the year ended 31 March 2003 under section 88 of the SO and Rule 4 of the Old Accounts and Audit Rules as a result of their failure to obtain sufficient knowledge and understanding of the factors relating to anomalies in certain client accounts.
- b. 2nd Complaint: Section 34(1)(a)(vi) of the PAO applies to HLB and Mr. Cheng in that they had failed or neglected to observe, maintain or otherwise apply a professional standard, namely SAE 200 in documenting matters which were important in providing evidence to support their opinion regarding their compliance reporting relating to Tiffit for the year ended 31 March 2003 under section 88 of the SO and Rule 4 of the Old Accounts and Audit Rules.
- c. 3rd Complaint: Section 34(1)(a)(vi) of the PAO applies to HLB and Mr. Cheng in that they had failed or neglected to observe, maintain or otherwise apply a professional standard, namely SAE 200, in their compliance reporting relating to Tiffit for the year ended 31 March 2003 under section 88 of the SO and Rule 4 of the Old Accounts and Audit Rules as a result of their failure to obtain sufficient appropriate evidence on which to base their opinion regarding Tiffit’s compliance with sections 81, 83 and 84 of the SO.
- d. 4th Complaint: Section 34(1)(a)(vi) of the PAO applies to HLB and Mr. Cheng in that they had failed or neglected to observe, maintain or otherwise apply a professional standard, namely SAE 200, in their compliance reporting relating to Tiffit for the year ended 31 March 2003 under section 88 of the SO and Rule 4 of the Old Accounts and Audit Rules as a result of their failure to document matters which were significant in providing evidence to support the unqualified opinions

regarding Tiffit's compliance with sections 81, 83 and 84 of the SO.

- e. 5th Complaint: Section 34(1)(a)(vi) of the PAO applies to HLB and Mr. Cheng in that they had failed or neglected to observe, maintain or otherwise apply a professional standard, namely SAE 200, in the compliance reporting relating to Tiffit for the year ended 31 March 2003 as a result of their failure to obtain sufficient appropriate evidence on which to base their conclusion that adequate records in respect of securities held on behalf of clients were maintained by Tiffit under the SO.
- f. 6th Complaint: Section 34(1)(a)(vi) of the PAO applies to HLB and Mr. Cheng in that they had failed or neglected to observe, maintain or otherwise apply a professional standard, namely SAE 200, in the compliance reporting relating to Tiffit for the year ended 31 March 2003 as a result of their failure to document matters which were significant in providing evidence to support their conclusion that adequate records of securities held on behalf of clients were maintained by Tiffit under the SO.
- g. 7th Complaint: Section 34(1)(a)(vi) of the PAO applies to HLB and Mr. Lai in that they had failed or neglected to observe, maintain or otherwise apply a professional standard, namely:
 - (a) SAE 200 as regards the compliance reporting relating to Tiffit for the year ended 31 March 2004 under Section 156(1) of the SFO and Rule 4 of the Accounts and Audit Rules; and
 - (b) Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" ("HKSAE 3000") as regards the compliance reporting relating to Tiffit for the year ended 31 March 2005 under section 156(1) of the SFO and Rule 4 of the Accounts and Audit Rules,

as a result of the failure of HLB and Mr. Lai to plan and conduct adequate test work in relation to anomalies in certain

client accounts which may have revealed breaches of Sections 81 and 83 of the SO or of the Client Securities Rules by Tiffit.

h. 8th Complaint: Section 34(1)(a)(vi) of the PAO applies to HLB and Mr. Lai in that they had failed or neglected to observe, maintain or otherwise apply a professional standard, namely:

(a) SAE 200 as regards their compliance reporting relating to Tiffit for the year ended 31 March 2004 under Section 156(1) of the SFO and Rule 4 of the Accounts and Audit Rules; and

(b) HKSAE 3000 as regards their compliance reporting relating to Tiffit for the year ended 31 March 2005 under Section 156(1) of the SFO and Rule 4 of the Accounts and Audit Rules,

as a result of the failure of HLB and Mr. Lai to document matters which were important in providing evidence to support the opinions regarding compliance contained in the compliance reports submitted by HLB in respect of Tiffit.

i. 9th Complaint: Section 34(1)(a)(vi) of the PAO applies to HLB and Mr. Lai in that they had failed or neglected to observe, maintain or otherwise apply a professional standard, namely:

(a) SAE 200 as regards their compliance reporting relating to Tiffit for the year ended 31 March 2004 under Section 156(1) of the SFO and Rule 4 of the Accounts and Audit Rules; and

(b) HKSAE 3000 as regards their compliance reporting relating to Tiffit for the year ended 31 March 2005 under Section 156(1) of the SFO and Rule 4 of the Accounts and Audit Rules,

as a result of their failure to obtain sufficient appropriate evidence on which to base their opinions regarding Tiffit's compliance with Rule 4 of the Client Money Rules and Rules 4(4), 5, 10(1) and 12 of the Client Securities Rules.

j. 10th Complaint: Section 34(1)(a)(vi) of the PAO applies to HLB and Mr. Lai in that they had failed or neglected to observe, maintain or otherwise apply a professional standard, namely:

(a) SAE 200 as regards their compliance reporting relating to Tiffit for the year ended 31 March 2004 under Section 156(1) of the SFO and Rule 4 of the Accounts and Audit Rules; and

(b) HKSAE 3000 as regards their compliance reporting relating to Tiffit for the year ended 31 March 2005 under Section 156(1) of the SFO and Rule 4 of the Accounts and Audit Rules,

as a result of their failure to document matters which were significant in providing evidence to support the unqualified opinions regarding Tiffit's compliance with Rule 4 of the Client Money Rules and Rules 4(4), 5, 10(1) and 12 of the Client Securities Rules.

k. 11th Complaint: Section 34(1)(a)(vi) of the PAO applies to HLB and Mr. Lai in that they had failed or neglected to observe, maintain or otherwise apply a professional standard, namely:

(a) SAE 200 as regards the compliance reporting relating to Tiffit for the year ended 31 March 2004; and

(b) HKSAE 3000 as regards the compliance reporting relating to Tiffit for the year ended 31 March 2005,

as a result of their failure to obtain sufficient appropriate evidence on which to base their conclusion that adequate records in respect of securities held on behalf of clients were maintained by Tiffit under the Securities and Futures (Keeping of Records) Rules, Cap. 571O ("Keeping of Records Rules").

l. 12th Complaint: Section 34(1)(a)(vi) of the PAO applies to HLB and Mr. Lai in that they had failed or neglected to observe, maintain or otherwise apply a professional standard, namely:

- (a) SAE 200 as regards the compliance reporting relating to Tiffit for the year ended 31 March 2004; and
- (b) HKSAE 3000 as regards the compliance reporting relating to Tiffit for the year ended 31 March 2005,

as a result of their failure to document matters which were significant in providing evidence to support their conclusion that adequate records of securities held on behalf of clients were maintained by Tiffit under the Keeping of Records Rules.

19. Since the nature of some of the complaints against the Respondents are identical or similar, it is the consensus of the parties, which the Committee agrees, that in the course of the trial and the present Decision, the Complaints are categorised into three main groups:
- a. Group 1 (Complaints 1, 2, 7, 8)
 - b. Group 2 (Complaints 3, 4, 9, 10)
 - c. Group 3 (Complaints 5, 6, 11, 12)

Law and Principles

20. The complaints were made under section 34(1)(vi) of the PAO alleging that the Respondents have failed or neglected to observe, maintain or otherwise apply the relevant and applicable professional standards.
21. The complaints refer to various statutory requirements and applicable professional standards. The relevant laws and principles will be referred to in the course of the following reasons in relation to each group; but the major ones are set out at this outset hereinbelow.

Statutory Provisions

22. SO relates to the complaints made to the 2003 Reporting referred to in the 1st to 6th Complaints and the SO's successor, the SFO relates to the 2004 and 2005 Reporting referred to in the 7th to 12th Complaints.

23. Similarly, the Old Accounts and Audit Rules relate to the complaints made to the 2003 Reporting and the Accounts and Audit Rules for the 2004 and 2005 Reporting.
24. The Client Securities Rules and the Client Money Rules also relate to the 2004 and 2005 Reporting.
25. Section 81 of the SO restricts the dealer on the disposition of securities where the securities are not the property of the dealer and the dealer is accountable.
26. Section 83 of the SO stipulates that the dealer shall keep the accounting and other records that will sufficiently explain transactions and reflect the financial position and accounts of the business with sufficient detail.
27. Section 84 of the SO require a securities dealer to hold all client money in designated trust accounts (“Trust Bank Account”) and the money shall remain there until paid to the client (or in accordance with his directions).

Professional Standards

28. One of the main professional standards is SAE 200 and this applies to the reporting years ended 31 March 2003 and 2004. For the reporting year ended 31 March 2005, HKSAE 3000 applies instead of the SAE 200.
29. In particular, SAE 200.14 requires that “The auditors should obtain sufficient appropriate evidence on which to base the conclusion.” Similarly, paragraph 33 of HKSAE 3000 requires the practitioner to obtain sufficient appropriate evidence on which to base its conclusion.
30. In relation to documentation as evidence to support opinion and conclusion, SAE 200.15 requires that “The auditors should document matters that are important in providing evidence to support the conclusion expressed in the report issued by the auditors, and in providing evidence that the assurance engagement was performed in accordance with this SAE.” And similarly, paragraph 42 of HKSAE 3000 requires the practitioner to document matters that are significant in providing evidence to support the assurance report.

31. Other relevant professional standards and guidelines include:
- a. The Practice Note PN 820 is related to both the 2004 and 2005 Reporting.
 - b. Statement of Auditing Standards 300, Statement of Auditing Standards 402 and Statement of Auditing Standards 430 are all relevant to all three reporting years.
 - c. Industry Auditing Guideline 3.404 in relation to the 2003 Reporting.

Group 1 (Complaints 1, 2, 7, 8)

32. Group 1 complaints concern the test work conducted by the Respondents and documentation of matters which were important in providing evidence to support the Respondents' opinion in light of the anomalies identified in certain client accounts.
33. Under SAE 200.10, the auditors should plan and conduct an assurance engagement with an attitude of professional skepticism. Further, pursuant to SAE 200.11, the auditors should have or obtain knowledge of the engagement circumstances sufficient to identify and understand the events, transactions and practices that may have a significant effect on the subject matter and engagement.
34. Complaints also are laid for the lack of documentation contravening SAE 200.15 and HKSAE 3000.
35. The term "anomalies" is not a legal term and has no legal definition; the Committee agrees that it refers to the account balances that are exceptional, inconsistent, unusual or out of line. In the present case the anomalies that the Complainant pointed at are the differences between the high receivable balances and the low market value of stocks held by Tiffit for some of its clients at the year end of 31 March 2003, 2004 and 2005.
36. In considering whether the Group 1 Complaints are substantiated, the first question is whether there were anomalies at all. It is not disputed by the parties that there were indeed differences between the high receivable balances and low market value of stocks for the

material clients at the material time. Neither is it disputed that Tiffit provided no margin-financing to its clients.

37. The Complainant contended that the amount of account receivables and value of securities held by Tiffit for those clients should have been similar but the great difference between the high account receivable balances and low market value of stocks suggested that a substantial portion of the related securities were not reflected in the stock accounts of the respective clients concerned.
38. The Respondents argued that these were not anomalies because HLB was aware of them at the time and the discrepancies could be explained. In the course of developing their case, the Respondents offered a few explanations in an attempt to justify that they were not anomalies despite the clear and big differences.
39. On the other hand, the Complainant objected generally to the Respondents' newly suggested explanations which were not to be seen from the working papers and documentation and further submitted that the anomalies should have raised red flags such that the Respondents should have investigated further in any event.

Loose Application of T+2 Rule

40. The first explanation suggested by the Respondents is that a securities broker such as Tiffit might have allowed some of its clients to settle their purchase costs outside of the usual two-business day time frame so that an amount receivable in a client's account might appear long outstanding (hereinafter referred to as "Loose Application of T+2 Rule"). This means that the increase of receivables from clients might have arisen from unsettled purchase costs with no underlying securities held, which in turn implies that Tiffit had in effect granted unsecured loans to those clients. The Respondents also suggested that Loose Application of the T+2 Rule was common and the SFC was aware of the same.
41. As a result of the Respondents' said understanding of the suggested Tiffit's said mode of business relating to Loose Application of the T+2 Rule, the Respondents focused their audit procedures in assessing the credit risk of Tiffit. The Respondents suggested that HLB's analysis of the 2003, 2004 and 2005 Reporting showed that there were corresponding sale transactions for the same quantity of

securities on the same or next business days for each transaction that gave rise to the amounts receivables for those clients. Therefore it was apparent to HLB that there was no anomaly at all.

42. The Respondents also asserted that Tiffit might have a practice of allowing cash clients to settle on a rolling balance basis or that Tiffit was in effect granting an unsecured loan to clients. Such explanations are in substance similar to the explanation of Loose Application of T+2 Rule and will be discussed together below.

Day Trading

43. The second explanation suggested by the Respondents is that some of Tiffit's clients were engaged in day trading whereby a client may purchase certain securities without settling the purchase costs and would later sell the same securities within the same day. This could result in the amount receivable from that client with no actual securities held ("Day Trading").
44. In the course of the proceeding and shortly before trial the Respondents sought to adduce additional 5 pages of working paper ("Additional Documents") to support their said explanations concerning Day Trading. The Complainant objected to the admissibility of this Additional Documents. The Committee reserved the question of admissibility and admit the same on de bene esse basis and heard oral evidence on that issue.

The Five Pages additional document ("Additional Documents")

45. The Additional Documents titled "Breakdown of accounts receivables for confirmation" consist of five pages, involve an analysis of the securities transactions undertaken by selected clients of Tiffit in the few days leading up to the year-end dates of 31 March 2003, 2004 and 2005.
46. The Additional Documents, if accepted, would provide some kind of a record to support the Respondents' explanations in relation to Day Trading.
47. The key issue for the Committee's decision in this context is whether on balance of probabilities the Additional Documents were contemporaneously made and kept when the relevant compliance

reporting work was done. If it is accepted that they were prepared and kept contemporaneously they should be accepted and due weight should be given to them. Otherwise, if the Committee is not satisfied with the above contemporaneity there being no other explanation proffered by the Respondents there will be no basis for the Additional Documents to be admitted.

48. The Respondents contended that the Additional Documents are part of the contemporaneous working papers prepared during HLB's engagements of the 2003, 2004 and 2005 Reporting and the information contained in the Additional Document was extracted from Tiffit's Monthly Client Statements.
49. The Complainant contended that the Additional Documents should not be admitted because the circumstantial evidence completely failed to demonstrate that they were contemporaneously made and kept at the material time of HLB's compliance reporting engagements. The Complainant pointed out that there was no reference within the four corners of the Additional Documents or anywhere else to show and thus it is unknown as to who made the Additional Documents, as well as how and when they were prepared. There are also no markings or cross references or notes on the Additional Documents, which in light of references of similar kind appearing in the other working papers in this case, the Additional Documents are odd one out.
50. Further, the Complainant submitted that the oral evidence given by Mr. Lai failed to provide any useful or concrete information as to the purpose of the Additional Documents and the above questions of who, how and when they were made. Mr. Lai's evidence was speculations only rather than actual knowledge derived from his involvement in the 2004 and 2005 Reporting.
51. The Complainant also complained about the late disclosure of the Additional Documents which cast doubts on whether they were indeed contemporaneously made and were part of the working papers. The Respondents had ample opportunities and time to locate and disclose the Additional Documents between 2007 and 2015, particularly after the investigation had begun and the Respondents were asked to explain. However, it was not until May 2016 that the Respondents suddenly disclosed the Additional Documents.

52. The Respondents asserted that the relevant staff member(s) who prepared the Additional Documents could no longer be identified but the Respondents submitted that the papers were prepared by HLB's staff.

Day Trading

53. The Respondents later submitted their case would still be good even if the Additional Documents were not admitted. The Respondents sought to rely on the circularisation exercise in which the Respondents sent monthly statements to Tiffit's clients who confirmed and agreed the cash balance at the year-end dates. The Respondents submitted that the clients' confirmations and agreements indicated that the sale proceeds had been paid over to the clients and would reveal how and why the low stock balances had arisen. Together with other relevant documents, it is submitted that Tiffit's clients had in effect carried out Day Trading where the sale proceeds were paid to the clients on or before the year-end date but leaving the purchase costs of the securities outstanding beyond the year-end date. The Complainant disagreed and submitted that the clients' confirmations did not explain the discrepancies.
54. The Respondents further attempted to justify the Day Trading explanations and Loose Application of T+2 Rule by referring to the commercial motive of Tiffit in building up and maintaining the client relationship.

The Circularisation Summary and Schedule G100

55. It is the Respondents' case that by looking at the available documents and also particularly Schedule G100¹, inference can be drawn to support the explanations the Respondents provided, including the Loose Application of T+2 Rule and Day Trading.
56. The Circularisation Summary done in 2002 also comprised confirmation requests as well as monthly statements.
57. The relevant circularised clients agreed with the securities balance as at the year-end date. The circularised clients also agreed with the cash balance as at the year-end date indicating that the sales proceeds had been paid over to the clients.

¹ B1/585 - 589

58. The Complainant submitted that the confirmations of securities and receivable balances did not explain the reasons for the substantial discrepancies in stock balances.

Internal Control Review

59. The Respondents also referred to the internal control review reports² where the Respondents were engaged by Tiffit to conduct the internal control review in December 2001 and a follow-up internal control review in April 2002 with their corresponding reports issued to Tiffit in December 2001 and April 2002.
60. The Respondents repeatedly submitted with emphasis that the internal control review reports served as background information only in support of their understanding of the operation of Tiffit, but not as part of the documentation of their compliance reporting work in the present case.

Discussion and Decision of Group 1

61. The discrepancies between the amount of account receivables and the market value of the stock holdings of Tiffit's clients are not insignificant and are unusual to put it at the least, crying out loud for an explanation. The Committee finds that there exist the anomalies which the Complainant asserts that the Respondents need to address at the time of the compliance reporting work. The sort of explanations now given by the Respondents could not be seen anywhere in any of the documentation in or accompanying the reports in the working papers.
62. Before discussing the plausibility of the explanations provided, it is important to note that the Committee is of the view that it is important to distinguish the explanations provided by the Respondents at the time of the compliance reporting work as documented, if any, from explanations provided by the Respondents only at the hearing by submissions. The latter only serves as hindsight that could only be taken into account if it is supported by contemporaneous documents or inferences from all the circumstances and established practice with commercial sense. In

² B3/1804 - 1965

the absence of any contemporaneous documentation concerning the explanations for the anomalies the evidential burden for the Respondents to explain along the line above mentioned would be very difficult to discharge.

63. The Committee has examined all the documents and evidence provided by the parties. The Respondents have primarily focused on Schedule G100. Upon examination of G100 and other documents, the Committee agrees with and accepts the Complainant's submissions concerning G100. The Committee fails to find any reference in G100 relating to any of the explanations now submitted by the Respondents, including Day Trading or Loose Application of the T+2 Rule. From an objective reading of G100 it is simply a circularisation summary whereby the contents of the stock balances and account receivables were circularised to clients who confirmed the status of affairs at year end; but did not provide any explanations in terms of the Loose Application of T+2 Rule or Day Trading. These explanations are not reflected at all in G100.
64. The Committee bears in mind and agrees that the Respondents should conduct the assurance engagement with an attitude of professional skepticism in accordance with SAE 200.10. Such skepticism should have alerted the Respondents in light of the significant differences between the amount of account receivables and the market value of the stock holding which should [have drawn the Respondents' attention]. In any event there is no reference to or evidence in G100 in the context of identifying the anomalies [and making enquiries about the nature and seeking explanations for such items] in the documentation and working papers.
65. Furthermore, even if the Committee accepts that Tiffit was indeed operating on a Loose Application of T+2 Rule (which there is no evidence to that effect), the Committee considers that it does not adequately explain the anomalies since the discrepancies are too large. Even if the clients were allowed to settle later than 2 days, the stock prices need to have huge fluctuation at the time around the corresponding year-end date, namely 31 March, to result in such big discrepancies. Furthermore, such unusual happenings would have to take place in all the three years ended 31 March 2003, 2004 and 2005. The above is simply unreal, particularly when there is no evidence in support.

66. In relation to the Day Trading explanation, the Committee after thorough consideration of the testimony of Mr. Lai and all the relevant circumstances decides that it refuses to admit the Additional Documents sought to be adduced by the Respondents.
67. The late production of the Additional Documents, despite all the years lapsed and opportunities to produce them earlier than 2016, already throws doubts on the contemporaneity of the Additional Documents which the Respondents and Mr. Lai need to explain satisfactorily. The Committee finds the explanation of such late discovery of the Additional Documents which according to Mr. Lai should always been in the same working file of this engagement, unacceptable and hence rejects it. If the Respondents' case on explanations were really the thinking at the time of the compliance reporting work, the importance now attached by the Respondents to the Additional Documents would definitely have alerted the Respondents and they would have easily been discovered and relied on by the Respondents long before 2016 in the course of the investigation. The Additional Documents were allegedly kept in the working file which was not voluminous. The Committee finds the excuse of failing to discover them untrue and unacceptable.
68. Furthermore, Mr. Lai could neither assist nor be able to suggest in any concrete manner who made the Additional Documents, when they were made and how they got into the working file. As submitted by the Complainant to which the Committee agrees, it is surprising to note that there was a total absence of reference or note on the Additional Documents on any of the above. There is no cross reference to other working papers. The above features on their own are very unusual. The absence of such references or notes is compounded by the fact that in other working papers in the same engagement there were notes and cross references which are the usual way in such documentation in compliance reporting work and documentation. In conclusion on this point the Committee finds that the Respondents failed very badly to show that the Additional Documents are, on the balance of probabilities, contemporaneously made and kept. That being the case, the Committee is left with no evidence on how the Additional Documents came about. Hence, they are ruled inadmissible and rejected as evidence.
69. The Respondents submitted in the course of trial that even without the Additional Documents, other available documents would be

sufficient evidence to support the Respondents' explanations. The Committee however, finds that without the Additional Documents there is no concrete evidence to support the explanation of Day Trading.

70. There is no evidence of a practice of Day Trading by Tiffit to such a large scale as reflected in the anomalies at all. There is also simply no evidence from the documentation of the engagement and the working papers to support such scale of Day Trading. In the absence of such evidence the Respondents are purely conjecturing that there was such a practice. Furthermore, even if Day Trading can explain why the stock were not put into the accounts hence the low value of stock holding found; that does not explain why the accounts receivables have significantly increased and remain in the accounts and hence the significant anomalies.
71. Enquiry into and review of balance is part of the substantive compliance reporting work. The Respondents should have made enquiries and sought explanations from Tiffit and reported such work in the working papers in order to fulfil their responsibilities under the SAE 200.10.
72. In conclusion and by reason of the above analysis the Committee finds that the explanations now given by the Respondents at the trial are not supported by any evidence and are rejected. Furthermore, by failing to record any explanation with proper documentations the Respondents also failed to document matters to support their purported opinions and conclusions.
73. By reason of the above, the Committee concludes that Group 1 Complaints are established and the Respondents have acted in breach of the professional standards as charged.

Group 2 (Complaints 3, 4, 9, 10)

74. Group 2 complaints primarily concern whether the Respondents had obtained sufficient appropriate evidence and documented matters that were significant in providing evidence to support their conclusion that Tiffit complied with the relevant statutory requirements in relation to handling clients' money and securities.

75. There are two limbs in the charges of Group 2 complaints. The first limb concerns the lack of compliance test work on clients' trust accounts whereas the second limb concerns the deficiency of the test work relating to withdrawals of securities and the lack of evidence of sufficient tests performed by the Respondents to ensure that there were effective internal controls over the preparation of monthly statements.
76. Section 84 of the SO requires a securities dealer to hold all clients' money in designated accounts and the same shall remain there until being paid to clients. Similarly, Rule 4 of the Client Money Rules imposes similar requirements on securities dealer. It is alleged that the Respondents should have conducted appropriate and sufficient tests to ensure compliance of the SO or Client Money Rules by Tiffit and kept and included the corresponding evidence.
77. The most essential issue for these charges is whether the examinations conducted by the Respondents as reflected in the working papers were sufficient.

Limb 1

78. The first limb can be further analysed in two parts. The first concerns the lack of compliance test work for the 2003 Reporting and the second part concerns similar deficiency for the 2004 Reporting and 2005 Reporting.
79. In relation to the 2003 Reporting, there are complaints in three aspects in relation to the alleged lack of test work conducted:
 - a. The deposits of client monies into Trust Bank Account other than monies received from clients and The Central Clearing and Settlement System ("CCASS") in relation to the trading of securities,
 - b. Payments of monies out of Trust Bank Account; and
 - c. Prohibition of deposits of non-client monies into the Trust Bank Account.

The 2003 Reporting

80. The essence of the complaint is that the test work done by the Respondents in relation to the Trust Bank Account did not address

the core and important issue of whether there had been clients' monies not being paid to the Trust Bank Account.

81. The Respondents' case is basically that the audit procedures did cover the timely deposit of dividends received by Tiffit from CCASS into the Trust Bank Account.
82. The Respondents documented that tests had been performed to check money received from clients by tracing and checking for compliance with the selected samples from bank statements. It was also documented that the tests were conducted for money received from CCASS³ where samples were selected from each month to trace the deposit of dividends received by Tiffit from CCASS into the Trust Bank Account. Also relying on the SFC Circularisation Exercise and the Year End Circularisation Exercise, the Respondents concluded that there were no irregularities in the Trust Bank Account.
83. The Respondents in the course of presenting the above explanations referred to Audit Test no. 3 and that the working paper refers to TB-3 which is not found in the HLB's composite files. However, the Respondents claimed that it could be inferred that TB-3 had in fact been prepared and existed because TB-1⁴ and TB-2⁵ which were the available documents relating to the Audit Test no. 3 on "12 bank receipts (monthly)" and "12 amounts payable (monthly)" were available in the working papers for the 2004 Reporting and 2005 Reporting.
84. The Respondents further claimed that TB-3 would show that the Respondents checked 12 dividend receipts (monthly). This included selecting one sample from each month on a judgmental basis, tracing the deposit of dividends received by Tiffit from CCASS into the Trust Bank Account and then to the related payments out of the Trust Bank Account to the respective clients.
85. As to the test work conducted for payments of monies out of Trust Bank Account, and Prohibition of deposits of non-client monies into the Trust Bank Account, the Respondents submitted that the TB-1 and TB-2 were done to check and confirm compliance with section 84 of the SO and the 4-day rule under which monies needed not be

³ Complainant's Bundle, Exhibit 1 Annex 1 page 225

⁴ [B1/649]

⁵ [B1/650]

deposited into the Trust Bank Account if the monies received from clients were used within 4 days of receipt.

86. The Complainant submitted that the samples of receipts of monies selected in TB-1 and TB-2 only checked whether the 4-day rule had been complied with and only involved Tiffit's account rather than the Trust Bank Account. Therefore the work done by the Respondents could neither test the payments of monies out of the Trust Bank Account nor whether non-client monies have been deposited into Trust Bank Account.

The 2004 Reporting and 2005 Reporting

87. In relation to the 2004 Reporting and 2005 Reporting, the essence of the complaints can be summarised into four aspects in relation to the allegation of lack of sufficient test work:
- a. Timely deposits of client monies other than dividends into the Trust Bank Account;
 - b. Prohibition of deposit of non-client monies into Trust Bank Account;
 - c. Client Authorisation and propriety of payments of monies out of Trust Bank Account; and
 - d. Proper record keeping of payments into and out of Trust Bank Account.
88. The Respondents relied on working paper T-30⁶ for both the 2004 Reporting and 2005 Reporting. The Respondents submitted that working paper T-30 recorded that the Respondents have scrutinized the trust ledger account and Trust Bank Account, and found no non-client money was included.
89. The Complainant claimed that working paper T30 did not record the tests and procedures that were performed to ensure that the payments out of the Trust Bank Account were duly authorized by clients and for proper purposes.
90. Further, the Respondents argued that the working paper T-B⁷ for the 2004 Reporting and the 2005 Reporting confirmed that the Client Money Rules were complied. The Complainant contended that

⁶ B2/973, 1348

⁷ B2/977, 1352

working paper T-B was only able to show test work in respect of dividends having been received by Tiffit from CCASS only.

91. The Complainant also contested the Respondents' claim that the payments out of the Trust Bank Account were infrequent. The Complainant referred to working papers H18 for the 2004 Reporting⁸ and H18 for the 2005 Reporting⁹ to show that there were in fact 4 cheques made out on a day in 2004 and 19 cheques made out within a span of 5 days in 2005.

Limb 2

92. The complaint in limb 2 is basically that the test work conducted on withdrawals of securities was deficient. There is no evidence of tests performed by the Respondents to ensure effective internal controls over preparation and printings of the monthly statements issued by Tiffit to its clients.
93. The issue here is on the integrity and adequacy of the information, documents and materials that the Respondents used to support the conclusion and results of its tests.
94. The Complainant claimed there is a breach of SAE 200.14 and SAE 200.15 for the 2003 Reporting and the 2004 Reporting and paragraphs 33 and 42 of HKSAE 3000 for the 2005 Reporting. The relevant law here is section 81(4) and (5) of SO for 2003 which requires Tiffit not to deal with client securities held in its custody except with the authority of the client.
95. Further, it is the Complainant's case that the Respondents did not sufficiently ensure the completeness and accuracy of the population from which samples for the security withdrawal test was selected. As such, the tests carried out could not provide sufficient evidence of compliance with the control requirements on security withdrawals under section 81(4) of the SO for 2003 and section 10 of the Client Securities Rules for 2004 and 2005.
96. The Respondents submitted in defence that Tiffit's monthly statements which they selected and the relevant samples were reliable because the samples were checked against the CCASS

⁸ B2/954

⁹ B2/1335

withdrawal records. The monthly statements were generated and printed from Tiffit's computer system with various security measures like lock and passwords as mentioned in the audit notes¹⁰ and proved by the year-end Circularisation Exercise. The Respondents submitted that from the Internal Control Reviews it was shown that the Review was extensive and hence the Respondents were properly satisfied with Tiffit's system of internal controls. It was noted that the Respondents repeatedly submitted with emphasis that the internal control review reports served as background information only.

97. The Complainant in answer contended that checking a sample of security withdrawals selected from the statements to the CCASS withdrawal records did not provide sufficient evidence of the compliance aspects of Tiffit's security withdrawals.
98. Further, the Complainant submitted that the SFC circularisation exercise and the circularisation exercises for 2003, 2004 and 2005 only focused on testing client balances at a particular point in time and could not in any way provide evidence of compliance with statutory requirements during the whole of the reporting period.

Discussion and Decision of Group 2 Complaints

99. Proper keeping of trust money in compliance with the relevant rules and regulations is one of the most important considerations in the management and internal controls of the businesses of a security firm like Tiffit and it is essential to ensure that the trust money is well protected according to pertinent law and rules. The essence of the issue in limb 1 is whether the examinations conducted by the Respondents were sufficient.
100. The Committee shall deal with the complaints regarding the test work on the deposits of money into the Trust Bank Account for the 2003 Reporting.
101. The Respondents asked the Committee to consider the existence of TB-3 which proves that the relevant proper tests had been conducted. However, the Committee considers that it is far fetch to suggest that TB-3 did in fact exist when there is no evidence shown in the working papers itself and only inference is to be drawn from the

¹⁰ B1/265, 270 - 271

papers relating to 2004 Reporting and 2005 Reporting. One cannot simply make that inference which amounts to mere speculation, which it is not proper and the Committee refuses to do. Even if for the sake of complete analysis one assumes that TB-3 does exist for the 2003 Reporting, it would only have shown tests on the incomings and outgoings of dividends over the 12 months in the year ended 31 March 2003. The available documents and evidence do not show tests having been carried out in relation to balances and account movements unrelated to dividends in the Trust Bank Account.

102. Furthermore, there are other areas in relation to the segregation of clients' monies and non-client monies that the Respondents should have taken account in the course of the work. The essence of the relevant rules and regulations is that all clients' monies should be dealt with and accounted for in the Trust Bank Account. The Respondents by simply focussing on and looking at the outgoings and incomings of the Trust Bank Account would not be able to see whether the clients' money has been paid into other different accounts, i.e. non-trust account.
103. The importance of proper segregation of clients' monies and non-clients' monies in Tiffit's business cannot be overstated. The tests purportedly conducted by the Respondents were flawed in that they could not result in any credible and relevant evidence as to whether clients' money had gone into some other accounts.
104. In relation to the test work done in respect of payments of monies out of the Trust Bank Account and deposit of non-client monies into the Trust Bank Account, the Respondents relied heavily on TB-1 and TB-2. After examining the available documents and evidence carefully, the Committee agrees with the Complainant's submission that TB-1 and TB-2 focussed on testing the compliance of the 4-day rule and they relate neither to payments out of nor deposits into the Trust Bank Accounts. In the premises TB-1 and TB-2 do not support the Respondents' contention in the context of the issue.
105. In the premises, we find that the tests conducted by the Respondents were not sufficient to entitle the Respondents to opine Tiffit's compliance of the SO or Client Money Rules in handling client money and securities and the Respondents' conclusion in the reports.

106. As to the limb 2 issue, the essence of the issue is whether the documents can be reconciled, compared and matched with any third party independent documents. In other words, the integrity of the documents has to be established based on the work done by the Respondents for compliance reporting purposes. In order to assess integrity, one need to examine whether the documents can be reconciled, compared and matched with third party independent documents. In this regard, the Respondents relied on checking Tiffit's monthly statements against the CCASS withdrawal records which the Respondents assert were third party independent documents.
107. However, the Committee finds that there is a fundamental flaw in the said Respondents' argument. The Committee agrees with the Complainant's submission that by looking at the CCASS record¹¹, though they are from a third party, it only showed the total figure of each stock held by Tiffit but not the stock held at the time by individual clients. By such exercise the Respondents could not compare the figures in the accounts of individual clients. In order to properly discharge their duties further and alternative tests had to be done such that the above purpose was accomplished before any conclusion could be drawn on the integrity of Tiffit's system in the context.
108. The Respondents relied on the circularisation exercise where clients were to confirm their shareholdings, outstanding account balances and cash held in trust on their behalf by Tiffit at the year-end dates. The Committee needs to consider whether confirmation from clients in this regard would support the integrity of the system. However, the working papers do now show what was indeed circularised to the clients. The shareholdings and account balances of individual clients were generated from Tiffit's computer systems and not reconciled to independent sources of information. There was insufficient evidence of authentication by the Respondents on the clients' signature and addresses on the circularised account balances.
109. The Respondents also asserted that the Complainant was basing their arguments on hypothetical fraud situation, which was not the proper way to test the matter. The Committee does not agree with the said submission. As submitted by the Complainant, to which the Committee agrees, the whole point of the exercise on compliance of

¹¹ B1/562-584

the rules and regulations is to test and then present in the reports on whether there is sufficient evidence upon the testing that there were adequate systems and internal controls operated by Tiffit to ensure the compliance. The above objective would necessarily entail a notion of preventing fraud being perpetrated by persons within or outside of Tiffit. It is from the above proper perspective that the compliance reporting work is to be done and the charges are to be enquired. Logically speaking even if proper compliance reporting work is conducted that will not completely rule out any possibility of fraud. On the other hand if adequate tests are conducted during work on compliance reporting, it will enhance the confidence of the public and clients of the security dealer that the chances of fraud are low. From the above analysis, the arguments relating eliminating fraud and looking at the matter from “hypothetical fraud situation” are misconceived. All that matters in the present context is whether sufficiently proper tests had been conducted by the Respondents. The Committee therefore dismisses the submissions of the Respondents in relation to reference to “fraud”, which is of no assistance at all to the proper resolution of the substantiation of the charges.

110. For the above reasons, the Committee finds that relying principally on circularisation exercises is not sufficient because the tests only dealt with the balances at the year end. Further, the Committee finds that the purported checking samples of security withdrawals selected from the statements to the CCASS withdrawal records did not provide sufficient evidence of the compliance aspects of Tiffit’s security withdrawals. The other arguments and defence of the Respondents are also dismissed. In the premises, the Committee agrees with the Complainant’s contentions and concludes that the Respondents have failed to discharge their duties and relevant standards before giving their unqualified opinion in the compliance reports and failed to document sufficiently in the course of their work and hence all the Group 2 Complaints are proved.

Group 3 (Complaints 5, 6, 11, 12)

111. Group 3 complaints concern whether the Respondents obtained sufficient and appropriate evidence and documented matters which were significant in providing evidence to support their conclusion

that Tiffit had complied with statutory requirements on keeping adequate records of securities held on behalf of clients.

112. The Respondents carried out the Year-End circularisation exercise where samples were selected for an external confirmation exercise in testing for the compliance reporting of Tiffit for the years ended 31 March 2003, 2004 and 2005.
113. The essence of the Complainant's complaints is that the circularisation exercise performed by the Respondents failed to provide sufficient evidence to support the conclusion that the Tiffit had kept proper records of client security balances in compliance with section 83(3) of the SO for the 2003 Reporting and section 3 of the Keeping of Records Rules for the 2004 Reporting and 2005 Reporting.
114. The Complainant submitted that the sample size for external client confirmation was far too low. The samples chosen were not representative of Tiffit's clients in that the clients chosen had relatively no or low stock holdings.
115. The Respondents in defence of this group of charges argued that the size of the samples is a matter for the professional judgment of the Respondents and there is no specific guidance on the size of the samples. The Respondents submitted that a sample of 10% of the total value of securities held by Tiffit was sufficient. Further, the Respondents submitted that the circularisation exercises conducted were sufficient and the Respondents had maintained independence in the confirmation process.
116. There are also complaints about the inadequacy of follow-up work in respect of the non-replied confirmations given which were of significant high percentages for the relevant years ended 31 March 2003, 2004 and 2005 (For 2003: 22 non replies out of 63 confirmations requests sent¹²; for 2004¹³: 22 non replies out of 43 confirmations; for 2005: 7 out of 22 confirmations requests sent¹⁴). The Complainant also pointed out that there were discrepancies in a number of accounts where the balances in the clients' confirmations

¹² B1/585 - 589

¹³ B2/926 - 931

¹⁴ B2/1303 - 1307

were different from Tiffit's records and follow-up actions should have been taken by the Respondents.

117. The Respondents submitted that the non-replied clients were either having nil cash and nil securities balance or had held securities with value where the Respondents tested and cross checked with Tiffit's Stock Distribution Report. The Respondents also claimed to have done a telephone follow-up for the reply although the same was not documented.
118. The parties identified some specific discrepancies. For the 2003 Reporting, clients #4¹⁵ and #50¹⁶ confirmed a "Nil balance" though they actually were holding securities. The Complainant submitted that this was not immaterial given the value of the stock holdings was around HK\$60,000. The Respondents explained that the discrepancies were not apparent or material because the total quantities of stocks as per Tiffit's Stock Distribution Report actually reconciled with total quantities of stocks as per CCASS Stock Balance Report. The Clients' securities as shown in the monthly statement also were cross checked to Tiffit's Stock Distribution Report.
119. For the 2004 Reporting, some clients also confirmed nil balance of securities but Tiffit's records show that Tiffit was actually holding securities for them. The Respondents submitted that the stock holdings had zero value. The Complainant submitted that there was no independent evidence showing the value of these stock holdings as at 31 March 2014 when the CCASS Stock Balance Report¹⁷ only showed the quantity of stocks held but not the actual value of such stock holdings.

Discussion and Decision of Group 3

120. This group of charges is relatively simpler. While on the face of the documents there are clearly unresolved discrepancies which support the charges, the Respondents' defence mainly rests on the confirmation exercises conducted from the circularisation for the three years.

¹⁵ B1/592

¹⁶ B1/624

¹⁷ B2/831, B3/842

121. The issue therefore is whether the said exercises conducted by the Respondents, in light of the discrepancies and non-replies, can serve as adequate evidence to support conclusion of the Respondents that Tiffit had duly complied with the rules concerning SO/SFO regarding keeping of proper and adequate records of client securities.
122. The Committee is aware that there is a certain level of discretion given to the professional judgment of the auditor for selecting the size of the samples, as could be seen in the Guideline 3.404 §9(e) which states that “the sample size for circularization should be determined by the auditor”. However, having considered all the evidence and circumstances the Committee finds that the Respondents’ choice of samples are far from satisfactory and proper, particularly when there is no document to show that there is any other tests carried out to address the accuracy of client securities balances for the purpose of reporting on proper keeping of records.
123. More importantly, the Committee finds that the circularisation exercise undertaken and the samples selected for the confirmation exercise only examined the account receivables at the year end only. They did not take into account the likely event that the relevant clients could well have had large volume trading during the rest of the time of the whole year but only had low levels at year end (as to which there is simply no evidence that could be seen from the working papers). Even if the Respondents did check with the independent sources like the CCASS Stock Balance Report, it still only confirmed the balance at the year end. The above defect was a very serious one in the sampling process of the Respondents.
124. Furthermore, there is quite a high percentage of discrepancies and non-replies for the said three years. The three discrepancies found in the 2004 Reporting where the stock value was zero but Tiffit was in fact holding securities for them which the Respondents should carry out further work to investigate the relevant discrepancies and document the work done and results.
125. For the above reasons it is quite apparent that there is not enough evidence to support the Respondents’ conclusion that Tiffit had good compliance concerning the keeping of records. The Respondents should, with professional scepticism, have investigated and did further tests to obtain further evidence to support Tiffit’s compliance

with the statutory requirements and had adequately documented the evidence. In the premises, the Committee concludes that the Group 3 Complaints are substantiated.

Further Comments

126. In light of the numerous written and oral submissions made by both parties both before and during the trial it is impossible for the Committee to exhaustively set out every point raised and all evidence referred to. The essential arguments and submissions have been set out in this Decision which the Committee considers sufficient for the Charges to be resolved. In the circumstances the Committee does not recite all the points of submissions made by the parties in the present Decision. However, the Committee would make clear that it has considered all of the said submissions and all relevant evidence presented in the present case before making the Decision herein.
127. Furthermore, in the course of the trial, points were taken as to the scope of the Complaints. After due consideration we find that the allegations made by the Complainant and evidence presented in proof thereof fall within the ambit of the Complaints and there is nothing which would have taken the Respondents or their legal team by surprise. The Respondents were able to and have thoroughly dealt with the said allegations in defence. There is in any event no prejudice to the Respondents.

Conclusion

128. In light of the reasons above, the Committee concludes that all 12 complaints are established against the respective Respondents.

Orders and Directions

129. The Committee makes the following orders and directions,
- (1) All the 12 Complaints are proved against the respective Respondents;

- (2) The Complainant shall file and serve a written submission on sanctions and application for costs together with a statement of costs, if any, within 7 days of the service of this Decision;
- (3) The Respondents shall file and serve a written submission on sanctions and why costs should not be ordered against the Respondents and on the Complainant's statement of costs within 7 days of service of the Complainant's said written submission under paragraph (2); and
- (4) The parties are at liberty to apply for any further directions in writing to the Committee.

Mr. Shum, Sze Man, Erik Ignatius
Chairman

Mr. Fung, Wei Lung, Brian
Member

Mr. Chan, Wai Tong, Christopher
Member

Ms. Yu, Ho Wun, Grace
Member

Dr. Kam, Pok Man
Member

Ms. Sara Tong, Counsel instructed by solicitors Messrs. Reed Smith Richards Butler, for the Complainant

Mr. Johnny Ma, Counsel instructed by solicitors Messrs. Smyth & Co, for the 1st, 2nd and 3rd Respondents