

Press Release

LCQ7: Complaints and claims relating to Goodcape Securities Limited

Wednesday, November 25, 2015

Following is a question by the Hon Tam Yiu-chung and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (November 25):

Question:

In January this year, the Securities and Futures Commission (SFC) served a Restriction Notice against Goodcape Securities Limited (GSL), prohibiting the company from carrying out all of the regulated activities for which it had been licensed under the Securities and Futures Ordinance (Cap. 571). In this connection, will the Government inform this Council whether it knows:

(1) the number of complaints received by SFC to date from GSL's clients against the company and the total amount of money involved, with a breakdown by the content of the complaints (e.g. securities trading, deposits, etc.);

(2) the number of GSL's clients who submitted claims to the Investor Compensation Fund to date and, among them, the respective numbers of claims for which compensation has been paid and which are being handled; the number of claims for which compensation will not be paid and whether the claimants have been notified of the decision that compensation will not be paid to them; and

(3) the total amount of GSL's assets frozen at present; when SFC will commence the liquidation proceedings against GSL?

Reply:

President,

(1) The breakdown of the number of complaints so far received by SFC from GSL's clients against the company and the total amount of money involved is

set out at Annex.

(2) Regarding the number of GSL's clients who submitted claims to the Investor Compensation Fund, to date, 454 claims have been lodged against the Investor Compensation Fund, involving 476 claimants. As some claims are lodged by multiple claimants, such as claims in respect of joint accounts, the number of claimants is more than the number of claims.

Of the 454 claims, determinations have been made by the Investor Compensation Company Limited in respect of 295 claims (involving 304 claimants). Specifically:

(a) 289 claims (involving 298 claimants) have been paid out, and the total compensation amount is about HK\$30.9 million.

(b) The determinations for two claims were that the claimants had not suffered any loss, and that therefore no compensation was payable. The claimants did not dispute the determinations.

(c) The claimants under four claims have objected to the provisional determinations made in respect of their claims. The Investor Compensation Company Limited will consider their grounds for objection before a final determination is made.

The Investor Compensation Company Limited is processing the remaining 159 claims in an expeditious manner.

(3) According to the information provided by the Police, the banks concerned have already been notified that the funds in the bank accounts of GSL and the parties involved cannot be processed temporarily.

SFC's investigation into possible breaches of section 300 of the Securities and Futures Ordinance, i.e. offence involving fraudulent or deceptive devices, etc. in transactions in securities, futures contracts or leveraged foreign exchange trading, is still ongoing. SFC has also been locating the missing funds, including funds which may have been transferred to the bank accounts of related institutions and individuals. According to SFC's findings to date, it appears that the value of the assets held by GSL substantially falls short of the

total amount of the claims lodged so far.

Ends