

SFC Grants Forex Licence to Emperor Exchange (Hong Kong) Company Ltd.

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The Securities and Futures Commission ("SFC") announced today that it had approved the application from Emperor International Exchange (Hong Kong) Company Limited ("Emperor International Exchange") to be licensed under the Leveraged Foreign Exchange Trading Ordinance ("the Ordinance").

Emperor International Exchange's application is the last of a large batch of licence applications received after the enactment of the Leveraged Foreign Exchange Trading Ordinance in September 1994. The processing time required for dealing with Emperor International Exchange's application was due to the sheer size of the organisation and the 700 plus individual applications submitted with it.

In granting the licence to Emperor International Exchange, the SFC had taken into consideration representations from the company regarding its fitness to be licensed under the Ordinance and a range of measures which had been implemented by the company since the submission of its application to improve its management and internal controls, particularly to strengthen its ability to comply with the requirements of the Ordinance on an on-going basis. The measures included:

- Revamping the entire organisational structure of Emperor International Exchange to ensure its management and operational independence, including the establishment of a holding company to interpose itself between Emperor International Exchange and the rest of the Emperor Group.
- Re-constituting the board of Emperor International Exchange, whereby Messrs Sonny Yeung and Michael Yeung would no longer be directors of Emperor International Exchange but would become directors of the holding company. By such re-constitution, they would only participate in strategic direction and overall supervision of the business of the holding company. They will not involve themselves with the day-to-day operations and management of the licensed company. Moreover, the board of the holding company will comprise two other independent non-executive directors acceptable to the SFC to ensure that it may act independently in the interest of the holding company to ensure that the licensed company's board operates in accordance with all necessary regulatory requirements.
- Appointing professional management to the satisfaction of the SFC, including new "responsible directors" under the Ordinance, to manage and supervise the operations of Emperor International Exchange.
- Strengthening to the satisfaction of the SFC the internal control and compliance regime within Emperor International Exchange, including the establishment of an audit committee, chaired by one of its independent directors, to supervise, amongst other things, the company's auditing and financial control functions and the appointment of a compliance officer reporting directly to the board of the holding company.
- Introducing an operations and compliance manual to ensure that in the conduct of its business, its staff will be in compliance with all relevant rules.

Prior to the completion of the vetting of the application, Emperor International Exchange had commissioned Deloitte Touche Tohmatsu ("Deloitte") to review its operations and to make recommendations to ensure that its operations are, and will be, in full compliance with all applicable requirements, particularly the conduct of business rules. A copy of the Deloitte report, which indicated that Emperor International Exchange was in compliance with the requirements and had the necessary management and compliance regime to ensure continued compliance, was submitted to the SFC in support of its representations. Deloitte has also reviewed the new operations and compliance manual of Emperor International Exchange and has indicated satisfaction that its proper implementation will ensure that the company will be in full compliance with the applicable rules.

The Deloitte report also made a number of recommendations to further strengthen the management, operations and compliance capability of Emperor International Exchange. In its representations to the SFC, the company has confirmed that it had implemented most of the recommendations in the report and is in the process of implementing the rest.

In addition to the above measures, Emperor International Exchange has undertaken in its representations to the SFC that:

- It would seek SFC approval before appointing anyone to the boards of either Emperor International Exchange or its holding company to provide comfort that the SFC will continue to be satisfied with the management leadership of the company to be licensed.
- It would engage Deloitte, or an independent firm of auditors acceptable to the SFC, to conduct semi-annual focused compliance audits for a period of two years from the date of receiving a licence to demonstrate that it is being well managed and is operating properly in full compliance with all the rules. The auditors will be commissioned under terms of reference agreed with the SFC and will submit its report directly to the SFC.

On the basis of the representations received, the measures implemented to date and the undertakings provided, Emperor International Exchange was able to satisfy the SFC that it met the requirements to become licensed under the Ordinance.

"The measures and undertakings obtained from Emperor International Exchange in the process of approving the licence are the most onerous in the history of the SFC. We have made it clear to the company that the measures implemented and the undertakings provided by the company in support of its application will be closely monitored and any breach will be carefully reviewed for its implications on the licence issued to the company," said Mr Leo Lee, Director of Licensing at the SFC.

For further information, please contact Bill Weeks or Chan Chi Keung at 2840-9287.