

Enforcement collaboration between IA and HKMA – Insurance Authority bans Chan Ka-hey for six months for fabrication of a client's direct debit authorization form for premium payment

The following is issued on behalf of the Hong Kong Monetary Authority:

This press release is issued jointly by the Insurance Authority (IA) and the Hong Kong Monetary Authority (HKMA) today (August 15):

The IA has taken disciplinary action against Chan Ka-hey, a former technical representative (agent) of an authorized institution, by prohibiting him from applying to be licensed for six months, on the grounds of him not being fit and proper. The disciplinary action is decided based on all relevant information, including the information gathered by the HKMA in its investigation under the Banking Ordinance (Cap. 155) into Chan's conduct (Notes 1 and 2).

The HKMA's investigation found that in June 2018, Chan had received a signed direct debit authorization (DDA) form from a client based overseas requiring a direct debit to be set up to settle premium payments under an insurance policy. Chan found that client signature on one of the signature pages of the DDA form was missing. Chan therefore fabricated a new DDA form by cutting out the client's signature from the signed DDA form and pasting the client's signature onto the two signature pages of a blank DDA form. He then photocopied the newly created signature pages and incorporated them as part of a new DDA form which he completed himself. Chan proceeded to submit the fabricated DDA form to the insurer for processing in July 2018 in an attempt to deceive the insurer and his then employing bank that the fabricated DDA form was signed by the client. All of this was done without the client's knowledge or consent.

The IA has taken into account the HKMA's investigation findings and noted Chan's explanation that he failed to set up the direct debit within the one-month validity period of the DDA form signed by the client, after which the form was invalid. The IA is of the opinion that Chan's conduct was clearly unethical, demonstrated a serious lack of integrity and rendered him not fit and proper to be a technical representative (agent) during the period in which he was serving in that capacity. Disciplinary action was therefore merited and necessary. In deciding the disciplinary sanction to be imposed under section 81 of the Insurance Ordinance (Cap. 41), the IA weighed all relevant circumstances in balance, including that:

1. Chan committed only a single act of copying, pasting and photocopying the client's signature;
2. Chan did not obtain any pecuniary advantage;
3. Chan admitted to his misconduct;
4. Chan's otherwise clean disciplinary record; and
5. the need to send a message to deter similar conduct.

The Head of Market Conduct of the IA, Mr Peter Gregoire, said, "The correct, honest and ethical course of action would have been for Chan, on discovering his original mistake, to have asked the client to re-sign and complete the form again. Whilst this may have involved some embarrassment in admitting an error, this would have been the right thing to do. Integrity involves doing the right thing, despite the fact that this may be difficult. The IA stands shoulder-to-shoulder with the HKMA on the need to ensure robust ethical standards are followed across the financial services industry and looks forward to continuing close co-operation on enforcement cases going forward."

The Executive Director (Enforcement and AML) of the HKMA, Ms Carmen Chu, said, "This action is the result of effective enforcement collaboration between the HKMA and the IA to deter improper behaviour and to send a coherent message to the financial services industry. Regulated persons should observe a high standard of integrity and professionalism in carrying out their duties, which is vital to maintaining client confidence. The HKMA will continue to work closely with the IA on enforcement cases to uphold proper standards of conduct."

For further information on the IA's enforcement work, please see the "[Enforcement News](#)" section of the IA's website. Public disciplinary actions against licensed insurance intermediaries may also be searched on the "[Register of Licensed Insurance Intermediaries](#)" on the IA's website. For further information on the HKMA's enforcement work, please see the "[Enforcement Actions](#)" section on the HKMA's website.

Note 1: At the material time, Chan was also a relevant individual (ReI) engaged by the authorized institution to conduct regulated activities under the Securities and Futures Ordinance. Chan is currently not registered with the HKMA or licensed by the Securities and Futures Commission (SFC).

Note 2: Following the HKMA's investigation, the HKMA found that Chan was not fit and proper to be a ReI and issued a notice to Chan in April 2021 on the HKMA's decision to suspend his ReI status. Before the HKMA's disciplinary decision could take effect, Chan ceased to be registered as a ReI. The HKMA thus referred the case to the SFC for consideration of appropriate disciplinary action as the statutory power to discipline a former ReI rests with the SFC. The SFC subsequently banned Chan from re-entering the industry for six months on July 28, 2022.