

ADMINISTRATIVE PROCEEDING

File No. 3-18227

Former Oil Company Executive and Friend Charged With Insider Trading

September 28, 2017 – The Securities and Exchange Commission today announced that a former senior executive at a Canadian affiliate of the Chinese oil company CNOOC Ltd., and the executive’s longtime friend have agreed to disgorge profits and pay penalties to settle charges that they engaged in insider trading in the stock of a CNOOC acquisition target.

According to the SEC’s order, Fengjiu Zhang, then the president and CEO of CNOOC Canada, learned that CNOOC Ltd. was planning to acquire Canadian oil company Nexen Inc. The SEC’s order states that Zhang then tipped his longtime friend, Xianli Kong, about the upcoming Nexen acquisition, who illegally traded based on the tip. The SEC order also states that Zhang asked another friend, Trader A, to buy Nexen stock on Zhang’s behalf. Nexen’s stock price shot up after the acquisition was announced, and Kong reaped \$11,491.23 in illegal profits, while the trades that Trader A made on Zhang’s behalf yielded profits of \$65,769.20.

The SEC’s order finds that Zhang and Kong violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. Without admitting or denying the findings in the SEC’s order, Zhang and Kong agreed to a cease-and-desist order. Zhang agreed to pay a penalty of \$77,260.43, and to be barred from acting as an officer or director of a public issuer for a period of three years. The order also requires Zhang to disgorge any portion of the ill-gotten gains generated by Kong and Trader A’s trading in Nexen stock not paid to the SEC by Kong or Trader A. Kong agreed to pay disgorgement of \$11,491.23, prejudgment interest of \$1,731.61 and a civil penalty of \$11,491.23. Trader A, who is not named as a respondent in the SEC’s order, voluntarily agreed to turn over \$65,769.20 in profits generated by her trading on Zhang’s behalf, plus prejudgment interest of \$9,534.64.

The SEC’s investigation was conducted by Melanie MacLean, Vanessa De Simone, Simona Suh, and Charles Riely of the SEC’s Market Abuse Unit with the assistance of Elzbieta Wraga of the SEC’s New York office and was supervised by the unit’s Chief, Joseph G. Sansone. The SEC appreciates the assistance of the Alberta Securities Commission, the Hong Kong Securities and Futures Commission, and the Financial Industry Regulatory Authority.

See also: [Order](#)