
STATEMENT OF DISCIPLINARY ACTION

The Disciplinary Action

1. The Securities and Futures Commission (**SFC**) has prohibited Mr Cheng Lai Ho (**Cheng**)¹ from re-entering the industry for seven months from 27 October 2025 to 26 May 2026 pursuant to section 196 of the Securities and Futures Ordinance (**SFO**).
2. The SFC found that between April 2017 and April 2022 (**Relevant Period**), Cheng breached the Staff Dealing Policy and Employee Code (**Policies**) of his then principals, Bank of Communications Co., Ltd. and Bank of Communications (Hong Kong) Limited (collectively, **BOCOM**), by:
 - (a) failing to disclose to BOCOM the existence of three personal securities trading accounts held at other financial institutions;
 - (b) opening and maintaining a securities margin account (**Account**) at another brokerage firm (**Broker 1**) in the name of his mother (**X**) after he joined BOCOM, and failing to disclose his personal interest in the Account to BOCOM;
 - (c) conducting over 260 personal trades in the Account without reporting the same and providing the relevant statements of account to BOCOM; and
 - (d) selling shares in the Account without complying with the minimum holding period required by BOCOM.

Summary of facts

Background

3. Cheng was employed by BOCOM during the Relevant Period. He joined Bank of Communications Co., Ltd. as a Financial Services Manager in February 2017 and last held the position as Branch Operations Manager when he left Bank of Communications (Hong Kong) Limited in April 2022.
4. During the Relevant Period, he maintained / had control over the following securities accounts with three other financial institutions:

Institution	Account holder's name	Date of account opening
Bank 1	Cheng	April 2007
Bank 2	Cheng	June 2011
Bank 1	Cheng	January 2013
Broker 1	X	August 2017

¹ Cheng was a relevant individual engaged by (a) Bank of Communications Co., Ltd. to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO between 7 April 2017 and 28 January 2018; and (b) Bank of Communications (Hong Kong) Limited to carry on Type 1 and Type 4 regulated activities under the SFO between 22 January 2018 and 29 April 2022. Cheng is currently not registered with the Hong Kong Monetary Authority (**HKMA**) or licensed by the SFC.

Policies of BOCOM

5. During the Relevant Period, employees of BOCOM (including Cheng) were obliged to comply with the following requirements under the Policies:
- (a) new employees were required to disclose Hong Kong securities accounts which they already held prior to joining BOCOM by submitting the New Employees Securities Accounts Declaration Form to Human Resources (HR) (**New Employee Rule**);
 - (b) employees wishing to open a securities account with an external institution were required to obtain HR's prior written approval (**New Account Rule**);
 - (c) employees were prohibited from opening accounts in the name of relatives, friends, etc., where such accounts were beneficially owned by the employee (**Nominee Account Prohibition**);
 - (d) employees holding securities accounts at external institutions and who transacted in such accounts in the current month were required to submit a copy of their monthly account statement to HR by the 20th day of the following month (**Trade Reporting Rule**); and
 - (e) employees registered with the HKMA as relevant individuals could only sell the shares on or after the 13th trading day after purchasing the shares (**Minimum Holding Period Rule**)².

Cheng's breaches of the Policies

6. Between 2017 and 2021, Cheng:
- (a) signed and returned the New Employees Securities Accounts Declaration Form on 20 February 2017 indicating that he had no securities accounts in Hong Kong;
 - (b) attended BOCOM's staff compliance trainings on five occasions which covered the Staff Dealing Policy³; and
 - (c) signed and submitted eight declarations in which he declared that he had complied with the Employee Code (**Declarations**)⁴.
7. The SFC's investigation found that, contrary to the Declarations, Cheng had breached the Policies by the following conduct:
- (a) In breach of the New Employee Rule, he failed to report to BOCOM the existence of three external securities accounts he maintained at Bank 1 and Bank 2⁵.

² This rule took effect from 15 July 2020.

³ The trainings were held on 27 May 2017, 23 April 2018, 9 April 2019, 9 May 2020 and 29 April 2021.

⁴ The Declarations were made on 31 December 2017, 31 December 2018, 31 August 2019, 31 December 2019, 15 July 2020, 31 December 2020, 30 June 2021 and 31 December 2021.

⁵ On 10 April 2022, Cheng reported to BOCOM the existence of one of the accounts at Bank 1 and his account at Bank 2.

- (b) In breach of the Nominee Account Prohibition and the New Account Rule, he controlled and/or had a beneficial interest in the Account which was opened after he joined BOCOM, and failed to disclose his personal interest in the Account to BOCOM.
 - (c) In breach of the Trade Reporting Rule, he conducted over 260 personal trades (**Personal Trades**) in securities through the Account without reporting the same and providing relevant statements of account to BOCOM.
 - (d) On at least 12 occasions, he bought and sold shares through the Account without complying with the Minimum Holding Period Rule.
8. Cheng explained that:
- (a) He opened the Account with X, funded and operated it, and conducted personal trading in it because he was a regulated person and he knew it was improper for him to conduct personal trades under his employer's policies.
 - (b) He believed that there was no need to disclose the existence of, and the transactions in, the Account to BOCOM as it was in the name of X.
 - (c) He was not aware that he needed to comply with the Minimum Holding Period Rule for his personal trades in the Account as they were in the name of X.
 - (d) He did not declare the existence of his other personal securities accounts with Bank 1 and Bank 2 because there had been no trading in those accounts.

Conclusion

- 9. BOCOM's Policies reflect the regulatory requirements under paragraph 12.2 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission, which requires licensed corporations to implement procedures and policies on employee trading and to actively monitor the trading activities in their employees' accounts and their related accounts.
- 10. Cheng's failure to comply with the Policies effectively circumvented BOCOM's internal controls and evaded the monitoring of his trading activities. His own admission as to the purpose of conducting personal trading in the Account and the falsity of the Declarations indicate that his failure to disclose the existence of the Account and the trading in it to BOCOM was wilful and dishonest. Further, given the firm's explicit policy requiring disclosure of personal securities accounts and Cheng having attended multiple compliance trainings covering the requirement, his explanation for not disclosing the three external securities accounts with Bank 1 and Bank 2 to BOCOM just because there had been no active trading is not justified and cast doubt on his reliability and his ability to carry on regulated activities competently.
- 11. In light of the above, the SFC is of the view that Cheng is not fit and proper to be a regulated person as his conduct casts serious doubts on his character, reliability and ability to carry on regulated activities competently, honestly and fairly.

12. In reaching the decision to take the disciplinary action set out in paragraph 1 above, the SFC has taken into account all the relevant circumstances, including:
- (a) Cheng's violations lasted over five years and involved over 260 personal trades during the Relevant Period;
 - (b) there is no evidence that his trading activities in the Account prejudiced the interests of BOCOM's clients or market integrity;
 - (c) a deterrent message needs to be sent to the market that the SFC would not tolerate deliberate circumvention of internal control policies by regulated individuals;
 - (d) Cheng cooperated with the SFC in resolving the SFC's concerns; and
 - (e) Cheng has an otherwise clean disciplinary record with the SFC.