

STATEMENT OF DISCIPLINARY ACTIONS

The Disciplinary Action

1. Pursuant to section 194 of the Securities and Futures Ordinance (**SFO**), the Securities and Futures Commission (**SFC**) has:
 - (a) publicly reprimanded and fined Sino-Rich Securities & Futures Limited (**Sino-Rich**)¹ \$2 million; and
 - (b) suspended Mr Budihardjo Wilhelm Soeharsono (**Budihardjo**)², a responsible officer (**RO**) and a manager-in-charge of Sino-Rich, for five months and two weeks from 8 May 2025 to 22 October 2025.
2. The SFC found that from 1 December 2017 to 30 September 2019 (**Relevant Period**), Sino-Rich failed to:
 - (a) adequately document its margin lending policy and the circumstances in which deviation from the policy may be approved;
 - (b) strictly enforce a requirement to use objective proof of net income or net worth as a reference for setting credit limits; and
 - (c) implement a margin lending policy framework that requires deviations from its margin lending policy to be supported by written explanations.
3. The SFC considers that Sino-Rich's failures were attributable to Budihardjo's failure to discharge his duties as an RO and a member of the senior management of Sino-Rich during the Relevant Period.

Summary of facts

Relevant regulatory requirements

4. General Principle (**GP**) 2 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (**Code of Conduct**) provides that a licensed person should act with due skill, care and diligence, in the best interests of its clients and the integrity of the market.
5. GP 3 of the Code of Conduct provides that a licensed person should have and employ effectively the resources and procedures which are needed for the proper performance of its business activities.

¹ Sino-Rich is licensed to carry on business in Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities under the SFO.

² Budihardjo has been accredited to Sino-Rich to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities under the SFO, and approved to act as its RO since 22 August 2011.

6. GP 7 of the Code of Conduct provides that a licensed person should comply with all regulatory requirements applicable to the conduct of its business activities so as to promote the best interests of clients and the integrity of the market.
7. GP 9 of the Code of Conduct provides that the senior management of a licensed person should bear primary responsibility for ensuring the maintenance of appropriate standards of conduct and adherence to proper procedures by the firm.
8. Paragraph 12.1 of the Code of Conduct provides, among other things, that a licensed person should comply with, and implement and maintain measures appropriate to ensuring compliance with the law, rules, regulations and codes administered or issued by the SFC.
9. Paragraph 10 of Schedule 5 to the Code of Conduct³ provides, among other things, that a licensed person should have a clear margin lending policy developed, documented and communicated to all relevant staff for strict enforcement.
10. Paragraph 12 of Schedule 5 to the Code of Conduct provides that the margin lending policy framework should address, among other things, the following:
 - (a) the form of objective proof of net income or net worth (such as tax returns, salaries advice and bank statements) as a reference for settling credit limits and should be subject to strict enforcement and regular review (paragraph 12(a)); and
 - (b) the circumstances in which deviation from the policy, supported by written explanations, may be approved by management, specifying the limits applicable to each level of the management (paragraph 12(l)).

Failure to adequately document Sino-Rich's margin lending policy and exceptions to the policy

11. Sino-Rich's written margin lending policy effective during the Relevant Period (**Sino-Rich's Policy**) provides, among other things, that:
 - (a) a margin call will be initiated if the outstanding debit balance is greater than the margin value of a client's account; and
 - (b) a margin call can be initiated on a trade day, and the client is required to fulfil the margin call or liquidate shares to cover the margin call on the first day of the margin call. No further advances will be given to the client and forced liquidation of the client's collateral will be carried out upon the instruction of the responsible officer or senior management on a case-by-case basis. Exceptions can be made by responsible officers and senior management's discretion.
12. The SFC's investigation identified a range of prima facie breaches of Sino-Rich's Policy in relation to its margin lending practices. In its submissions to the SFC, Sino-Rich justified these breaches on the basis of a so-called "trading limit" exception, under

³ Schedule 5 sets out requirements which apply to licensed persons providing margin lending services in addition to the requirements set out in the body of the Code of Conduct.

which clients who had been granted a “trading limit” were exempted from complying strictly with Sino-Rich’s Policy⁴ (**Trading Limit Exception**).

13. However, although Sino-Rich’s Policy outlines how Trading Limits are set and the circumstances under which Sino-Rich would remove a client’s Trading Limit, based on the SFC’s review of the same, the policy does not specify what a Trading Limit is for, or conceive of Trading Limits as constituting an exception to Sino-Rich’s Policy.
14. Sino-Rich is required to develop, document and strictly enforce a clear margin lending policy and the policy should address, among other things, the circumstances in which deviation from the policy may be approved by management. In failing to set out clearly the Trading Limit Exception in Sino-Rich’s Policy, Sino-Rich breached paragraphs 10 and 12(l) of Schedule 5 to the Code of Conduct.
15. The SFC considers that there are also other deficiencies with Sino-Rich’s Policy:
 - (a) as observed at paragraph 11(b) above, although Sino-Rich’s Policy states that exceptions can be made ‘*by responsible officers and senior management’s discretion*’, the policy does not specify what exceptions can be made, nor does it give any guidance as to how this discretion (**Discretion**) ought to be exercised and its limits. This gives rise to a lack of clarity in Sino-Rich’s Policy and constitutes a breach of paragraph 10 of Schedule 5 to the Code of Conduct;
 - (b) in failing to prescribe how the Discretion ought to be exercised, Sino-Rich’s Policy also fails to address the circumstances in which deviations from the policy may be approved, in breach of paragraph 12(l) of Schedule 5 to the Code of Conduct; and
 - (c) Sino-Rich’s Policy does not specify the limits applicable to each level of Sino-Rich’s management in exercising the Discretion, in breach also of paragraph 12(l) of Schedule 5 to the Code of Conduct.

Failure to require that credit limits are set by reference to objective proof of net income or net worth

16. According to submissions made by Sino-Rich to the SFC, for clients who had been granted a Trading Limit, such a limit formed an important component of their credit limit with Sino-Rich.
17. Findings from the SFC’s investigation in relation to three of Sino-Rich’s clients (**Three Clients**) suggest that Sino-Rich took into account factors irrelevant to its clients’ net income or net worth in setting their Trading Limits. Examples of irrelevant factors considered include:
 - (a) the net asset value of a client’s father’s account with Sino-Rich;
 - (b) the net asset value of a client’s shareholder’s account with Sino-Rich;
 - (c) the accolades of a client’s shareholder;
 - (d) bare assertions from a client promising future deposit of funds in the absence of other evidence; and

⁴ A client’s “trading limit” was, according to Sino-Rich, the maximum limit granted to the client for purchasing securities when the client had no cash balance in their account (**Trading Limit**).

- (e) the fact that a client was introduced by someone with experience in the financial industry

(collectively, **Trading Limit Justifications**).

- 18. Sino-Rich's deficient assessment process constitutes a failure to strictly enforce a requirement to use objective proof of net income or net worth as a reference for setting credit limits, in breach of paragraph 12(a) of Schedule 5 to the Code of Conduct.

Failure to support deviations from Sino-Rich's Policy with written explanations

- 19. According to Sino-Rich, its usual process for granting or changing a Trading Limit involved completing a form entitled Trading Limit Form (客戶信用額申請表) on behalf of a client seeking to change their Trading Limit, and submitting this for management approval.
- 20. However, the SFC found that, in relation to the Three Clients, none of the Trading Limit Justifications put forward by Sino-Rich appeared in any of their Trading Limit Forms.
- 21. This is problematic given that, as described at paragraph 12 above, Sino-Rich treated the Trading Limit Exception as a ground for deviating from Sino-Rich's Policy. As noted at paragraph 10(b) above, under paragraph 12(l) of Schedule 5 to the Code of Conduct, Sino-Rich's margin policy framework should address the circumstances in which deviations from its margin lending policy, *supported by written explanations*, may be approved by management. By failing to implement a margin lending policy framework that requires deviations from its margin lending policy to be supported by written explanations, Sino-Rich breached this provision of the Code of Conduct.
- 22. The failures described at paragraphs 11 to 21 above also constitute breaches of GP 2, GP 3, GP 7 and paragraph 12.1 of the Code of Conduct.

Budihardjo's management failure

- 23. Budihardjo was an RO, a director, the Chief Executive Officer, and manager-in-charge of various core functions of Sino-Rich during the Relevant Period. He was the most senior person in the management of Sino-Rich overseeing the operation of Sino-Rich's securities margin financing business.
- 24. Budihardjo approved Sino-Rich's Policy and was responsible for approving client applications for Trading Limits of HK\$300,000 or more.
- 25. The SFC found that Sino-Rich's failures set out in paragraphs 11 to 22 above were attributable to Budihardjo's failure to discharge his duties as an RO and a member of the senior management of Sino-Rich, including his failure to ensure the maintenance of appropriate standards of conduct and adherence to proper procedures by Sino-Rich, in breach of GP 9 of the Code of Conduct.

Conclusion

- 26. Having considered all the circumstances, the SFC is of the opinion that Sino-Rich and Budihardjo are guilty of misconduct and Budihardjo's fitness and properness to carry on regulated activities have been called into question.
- 27. In deciding the disciplinary sanctions set out in paragraph 1 above, the SFC took into account all relevant circumstances, including:

- (a) Sino-Rich and Budihardjo were previously disciplined by the SFC in 2021 for Sino-Rich's failures in complying with anti-money laundering and counter-terrorist financing regulatory requirements when handling cash deposits and third-party fund transfers⁵;
- (b) Budihardjo was separately disciplined by the SFC in 2009 for his failures to properly and actively monitor clients' trading activities as a responsible officer and senior management of another firm⁶;
- (c) Sino-Rich has taken steps to remedy and improve its margin lending practices;
- (d) their cooperation with the SFC in resolving the SFC's concerns; and
- (e) Sino-Rich's financial position – but for the firm's financial position and cooperation with the SFC in resolving the SFC's concerns, the SFC would have imposed a \$3.5 million fine against it.

⁵ Please refer to the SFC's press releases dated [15 March 2021](#) and [19 July 2021](#).

⁶ Please refer to the SFC's press release dated [19 August 2009](#).