

## STATEMENT OF DISCIPLINARY ACTION

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### The Disciplinary Action

1. Pursuant to section 194 of the Securities and Futures Ordinance (**SFO**), the Securities and Futures Commission (**SFC**) has:
  - (a) reprimanded and fined Zheng Da International Financial Holding Limited (**Zheng Da**)<sup>1</sup> HK\$7 million; and
  - (b) suspended the licence of Mr Zhong Hao (**Zhong**)<sup>2</sup>, a responsible officer (**RO**) and manager-in-charge (**MIC**) of Zheng Da, for seven months from 28 September 2026 to 27 April 2027.
2. The SFC found that Zheng Da has failed to:
  - (a) perform adequate due diligence on the customer supplied systems (**CSSs**)<sup>3</sup> used by clients for placing orders, and to assess and manage the associated money laundering and terrorist financing (**ML/TF**) and other risks;
  - (b) conduct proper enquiries on client deposits which were incommensurate with the clients' financial profiles declared in their account opening documents; and
  - (c) establish an effective ongoing monitoring system to detect and assess suspicious trading patterns in client accounts.
3. The SFC is of the view that Zheng Da's failures were attributable to Zhong's failure to discharge his duties as an RO and a member of the senior management of Zheng Da.

### Summary of Facts

#### A. *Background*

4. The SFC received complaints from two complainants who alleged that Zheng Da permitted its clients to create sub-accounts under accounts maintained with Zheng Da. One complainant also alleged that Zheng Da's practice might have potentially facilitated illicit funds laundering.
5. Between 1 December 2021 and 30 September 2023 (**Relevant Period**), Zheng Da permitted 160 clients to use their designated CSSs to place a total of 10,444,295 futures trades through its broker supplied system (**BSS**)<sup>4</sup>.

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<sup>1</sup> Zheng Da is licensed to carry on Type 2 (dealing in futures contracts) and Type 5 (advising on futures contracts) regulated activities under the SFO.

<sup>2</sup> Zhong has been accredited to Zheng Da and approved to act as its responsible officer for Type 2 (dealing in futures contracts) and Type 5 (advising in futures contracts) regulated activities since 15 January 2020. Zhong has been Zheng Da's Manager-In-Charge of (i) Overall Management Oversight since 5 March 2020, (ii) Anti-Money Laundering and Counter-Terrorist Financing, Compliance, and Information Technology since 31 July 2020, (iii) Finance and Accounting since 15 May 2023, and (iv) Operational Control and Review and Risk Management since 7 October 2024.

<sup>3</sup> CSSs are trading software developed and/or designated by the clients that enable them to conduct electronic trading through the internet, mobile phones and other electronic channels.

<sup>4</sup> BSSs are trading facilities developed by exchange participants or vendors that enable the exchange participants to provide electronic trading services to investors through the internet, mobile phones and other electronic channels.

*B. Failure to perform adequate due diligence on the CSSs and assess and manage the associated ML/TF and other risks*

6. According to Zheng Da, before allowing its clients to connect their CSSs to its BSS, it would (a) interview the clients and confirm whether their CSSs contained sub-account functionality, and (b) prepare and submit the relevant CSS application documents to its BSS provider.
7. Zhong stated that he or his colleagues would enquire with the clients as to the purpose and functionality of their CSSs. If an application was considered satisfactory, the BSS provider would issue an application programming interface authorization letter, which contained a unique authorization code enabling the client's CSS to be connected to Zheng Da's BSS.
8. Zheng Da did not perform due diligence or testing on the CSS used by its clients:
  - (a) Zheng Da had not put in place any guidelines and procedures for conducting due diligence and testing on the CSSs.
  - (b) Zheng Da did not maintain any records of its or Zhong's alleged enquiries with clients on the CSSs' functions and purposes of their CSSs. None of the CSS application documents recorded the design and functionality of the CSSs.
  - (c) Zheng Da stated that its BSS provider was responsible for conducting due diligence, testing and ongoing monitoring of the CSSs. However, the service agreement between Zheng Da and its BSS provider did not include any provisions related to due diligence of CSSs. The BSS provider also stated that it did not perform any due diligence on the clients' CSSs.
9. Without thorough knowledge of the features and functions of the CSSs, Zheng Da was unable to properly assess the ML/TF and other risks associated with the use of the CSSs and implement appropriate measures and controls to mitigate and manage such risks.
10. In the absence of proper control in place over the use of CSSs by its clients, Zheng Da exposed itself to the risks of improper conduct such as unlicensed activities, money laundering, nominee account arrangement, and unauthorized access to client accounts.

*C. Failure to conduct proper enquiries on client deposits which were incommensurate with the clients' financial profiles*

11. The SFC's investigation revealed that the amounts and frequency of deposits made into the accounts of eight selected clients (**Selected Clients**)<sup>5</sup> were incommensurate with their financial profiles declared in their account opening documents. For example:
  - (a) One Selected Client declared himself to be a senior analyst of a global investigation firm with salary savings as his source of income. He declared his annual income to be above HK\$1 million and the total net value of his assets to be between HK\$5 million and HK\$10 million. However, over a six-month period, he made 439 deposits into his account, amounting in aggregate to approximately HK\$28 million, with the funds originating from 22 different bank accounts.
  - (b) Another Selected Client declared himself to be a manager of an elevator company with salary savings as his source of income. He declared his annual income to be below HK\$200,000 and a total net asset value of between HK\$5 million and HK\$10

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<sup>5</sup> The SFC selected and reviewed eight clients who used CSSs for placing orders: seven were selected based on transaction volume, and one was an account associated with a complainant.

million. However, within a ten-month period, he deposited approximately HK\$37.5 million into his account.

12. Zheng Da's policies and procedures required its staff to (a) review from time to time client due diligence information and to monitor client activities to ensure alignment; (b) identify transactions that are complex, large, or unusual, including transactions that are abnormal in size or frequency; and (c) ensure that the amount deposited by clients is consistent with the annual income and assets declared at account opening.
  13. In addition, Zheng Da claimed that Zhong would:
    - (a) on a monthly basis, make unscheduled phone calls to randomly selected clients to understand their latest financial situation; and
    - (b) select up to five clients with the highest transaction volumes and contact them via WeChat voice calls to understand the reasons behind their deposits and transactions, and to confirm that the transactions and deposits were made by the clients themselves.
  14. However, Zheng Da could not provide any records in support of those enquiries made and failed to obtain any supporting documentation or make follow-up enquiries to understand the reasons behind the amounts deposited by the Selected Clients and/or their frequencies. The transaction monitoring reports that Zheng Da's staff prepared also failed to identify any risks concerning the deposits, despite clear inconsistencies between the amounts deposited by the Selected Clients and their declared financial profiles. In the absence of any records of enquiries, Zheng Da failed to demonstrate that it had conducted proper enquiries on the deposits of the Selected Clients' accounts and satisfactorily addressed the associated ML/TF risks.
- D. Failure to establish effective ongoing monitoring system to detect and assess suspicious trading patterns in client accounts*
15. During the Relevant Period, there were 176 instances in which buy and sell orders for the same futures contracts were placed by the same client within the same second and at the same price (**same-second buy/sell orders**) in the Selected Clients' accounts.
  16. Zheng Da failed to detect the 176 same-second buy/sell orders at the material time and its systems and controls for monitoring, detecting and identifying suspicious transactions conducted by its clients were inadequate and ineffective:
    - (a) The 176 same-second buy/sell orders were manually calculated by Zheng Da during the SFC's investigation. Zheng Da also admitted that it was unaware of the existence of these orders at the material time and was unable to ascertain whether they constituted matched trades without confirmations from the relevant exchanges.
    - (b) There were no records of any enquiries which Zhong claimed to have made on these orders.
    - (c) Zheng Da applied a "self-matching prevention" (**SMP**) functionality in respect of futures trades conducted by its clients on the Chicago Mercantile Exchange (**CME**) and other exchanges operated by the CME Group<sup>6</sup>, to avoid same-second buy/sell

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<sup>6</sup> Zheng Da stated that the SMP functionality was also implemented on the following exchanges operating by the CME Group: Commodity Exchange Inc., Chicago Board of Trade, and New York Mercantile Exchange.

orders being executed. However, for orders conducted on any other exchanges, Zheng Da did not have any system to detect same-second buy/sell orders.

- (d) Zheng Da stated that its BSS had an inherent function to detect same-second buy/sell orders being executed by its clients, but it disabled the function as it interfered with normal client trading.

## The SFC's Findings

17. Zheng Da's failures set out above constitute a breach of:

- (a) General Principle (**GP**) 2 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (**Code of Conduct**), which requires a licensed corporation (**LC**) to act with due skill, care and diligence, in the best interests of its clients and the integrity of the market in conducting its business activities.
- (b) GP 3 and paragraph 4.3 of the Code of Conduct, which provide that an LC should have and employ effectively the resources and procedures which are needed for the proper performance of its business activities and have internal control procedures and operational capabilities which can be reasonably expected to protect its operations and its clients from financial loss arising from theft, fraud, and other dishonest acts, professional misconduct or omissions.
- (c) Paragraph 5.1 of the Code of Conduct, which requires an LC to take all reasonable steps to establish the true and full identity of each of its clients, and of each client's financial situation, investment experience, and investment objectives.
- (d) Section 23 of Schedule 2 to the Anti-Money Laundering and Counter Terrorist Financing Ordinance (**AMLO**) and paragraph 3.1 of the Guideline on Anti-Money Laundering and Counter-Terrorist Financing (September 2021 and June 2023 editions) (**AML Guideline**), which require an LC to mitigate the risks of ML/TF and prevent contravention of any client due diligence and record keeping requirements under the AMLO. To ensure compliance with this requirement, the LC should:
  - (i) identify and assess the ML/TF risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms (especially those that may lead to misuse of technological developments or facilitate anonymity in ML/TF schemes) before their launch and take appropriate measures to mitigate and manage the risks identified pursuant to paragraph 2.8 of the AML Guideline; and
  - (ii) implement adequate and appropriate internal anti-money laundering and counter-terrorist financing (**AML/CTF**) policies, procedures and controls pursuant to paragraph 3.4 of the AML Guideline.
- (e) Section 5(1)(a) of Schedule 2 to the AMLO and paragraph 5.1(a) of the AML Guideline, which require an LC to review from time to time client information to ensure that they are up-to-date and relevant.
- (f) Section 5(1)(b) of Schedule 2 to the AMLO and paragraph 5.1(b) of the AML Guideline, which require an LC to continuously monitor its business relationship with the clients by conducting appropriate scrutiny of transactions carried out for the clients to ensure that they are consistent with its knowledge of the clients and the clients' business, risk profile, and source of funds.

- (g) Section 5(1)(c) of Schedule 2 to the AMLO and paragraphs 5.1(c), 5.13, 5.16, and 5.17 of the AML Guideline, which require an LC to identify transactions that are complex, unusually large, or of unusual patterns that have no apparent economic or lawful purpose, make appropriate enquiries to examine the background and purposes of the transactions, document the enquiries made (and their results), and report the findings to the Joint Financial Intelligence Unit where there is any suspicion of ML/TF. Pursuant to paragraph 7.12 of the AML Guideline, LCs should have reasonable policies and procedures to identify and analyse suspicious activities for their client accounts. A non-exhaustive list of indicators of suspicious transactions and activities is set out at Appendix B of the AML Guideline<sup>7</sup>.

18. Zheng Da's failures were aggravated by the following factors:

- (a) Between 1 December 2021 (the commencement of the Relevant Period) and 8 August 2025 (when Zheng Da ceased allowing its clients to trade via CSS), the SFC has issued multiple press releases concerning enforcement actions taken against other LCs for failures similar to those identified in the present case<sup>8</sup>.
- (b) Despite the SFC's regulatory messages that such failures are not acceptable, Zheng Da did not implement adequate measures to address the risks associated with the clients' use of CSSs or to enhance its controls to ensure that it effectively monitor money movements and trading patterns in client accounts.

19. During the Relevant Period, Zhong was responsible for: (a) overseeing the system due diligence and testing of CSSs; (b) approving the use of CSSs by Zheng Da's clients for placing orders to its BSS; (c) reviewing all the client account opening files; (d) ensuring that the amounts and frequencies of client deposits were consistent with the information declared in their account opening documents; (e) monitoring futures trading and their fund movements; and (f) ensuring that Zheng Da maintain an effective ongoing monitoring system to detect and assess suspicious trading patterns in client accounts.

20. Zheng Da's failures were attributable to Zhong's failure to discharge his duties as a responsible officer and a member of the senior management of Zheng Da. He has failed to:

- (a) ensure the maintenance of appropriate standards of conduct and adherence to proper procedures by Zheng Da, in breach of GP 9 of the Code of Conduct; and
- (b) properly manage the regulatory risks associated with Zheng Da's business, in breach of paragraph 14.1 of the Code of Conduct.

## Conclusion

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<sup>7</sup> Examples of situations that might give rise to suspicion, as set out in paragraphs 2(a), 2(b), 2(c), 3(e) of Appendix B of the AML Guideline, include: (a) transactions or instructions which have no apparent legitimate purpose or commercial rationale or involve apparently unnecessary complexity; (b) the size or pattern of transactions is not in line with the background of the customer; and (c) buying and selling of securities/futures with no discernible purpose or where the nature, size or frequency of the transactions appears unusual; and (d) the entry of matching buy and sell orders in particular securities or futures contracts (wash trading), creating the illusion of active trading. Such wash trading does not result in a bona fide market position, and might provide "cover" for a money launderer.

<sup>8</sup> Please refer to the SFC's press releases dated [30 December 2021](#) (regarding Grand International Futures Co., Limited), [20 January 2022](#) (regarding Zhonghui International Futures Company Limited), [14 February 2022](#) (regarding South China Commodities Limited), [25 July 2022](#) (regarding Rifa Futures Limited), [7 February 2023](#) (regarding Jinrui Futures (Hong Kong) Limited), [9 March 2023](#) (regarding City International Futures (Hong Kong) Limited), [22 November 2023](#) (regarding Lion Futures Limited), [9 October 2024](#) (regarding CSC Futures (HK) Limited), [9 October 2024](#) (regarding Xinhua International Futures (Hong Kong) Co., Limited), and [3 July 2025](#) (regarding Freeman Commodities Limited).

21. Having considered all relevant circumstances, the SFC is of the opinion that Zheng Da and Zhong are guilty of misconduct and that Zhong's fitness and properness to carry on regulated activities have been called into question.
22. In deciding the disciplinary sanctions set out in paragraph 1 above, the SFC has taken into account all of the circumstances, including:
  - (a) Zheng Da's failures to diligently monitor its clients' activities and put in place adequate and effective AML/CTF systems and controls could undermine public confidence in the financial market and its integrity;
  - (b) Zheng Da continued to allow its clients to place orders through CSSs without conducting any due diligence on them, even after the SFC had taken multiple enforcement actions against LCs for similar violations during the same period, with repeated reminders that such failures are unacceptable. Zheng Da has only stopped accepting new CSS applications from clients and disabled all existing CSSs since August 2025;
  - (c) Zheng Da and Zhong cooperated with the SFC in resolving the SFC's concerns; and
  - (d) Zheng Da and Zhong have otherwise clean disciplinary records.