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## STATEMENT OF DISCIPLINARY ACTION

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### The Disciplinary Action

1. The Securities and Futures Commission (**SFC**) has prohibited Ms Wong Lai Suen (**Wong**)<sup>1,2</sup>, a former responsible officer (**RO**) and executive director of MTF Securities Limited (**MTF**)<sup>3</sup>, from re-entering the industry for six months from 4 June 2025 to 3 December 2025 pursuant to section 194 of the Securities and Futures Ordinance (**SFO**).
2. The SFC found that between January and July 2021 (**Relevant Period**), MTF failed to maintain:
  - (a) effective policies and procedures to ensure the proper management of credit risks arising from its granting of trading limits to clients; and
  - (b) an effective ongoing monitoring system to identify, examine and report suspicious trading patterns in client accounts.
3. The SFC considers that MTF's failures were attributable to Wong's failure to discharge her duties as an RO and a member of the senior management of MTF.

### Summary of facts

- A. *Failure to maintain effective policies and procedures to ensure the proper management of credit risks*
4. Between 15 and 20 January 2021, Client A, Client B and Client C (collectively, **Three Clients**) opened their respective individual accounts with MTF for securities cash trading.
5. Very shortly afterwards, between 20 and 25 January 2021, MTF granted trading limits of \$4 million to Client A, \$5 million to Client B and \$4 million to Client C (collectively, **Trading Limits**) apparently without any application from the Three Clients, despite the below circumstances which cast serious doubts on the Three Clients' financial status and/or ability to settle the amounts of the Trading Limits given to them:

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<sup>1</sup> Wong was licensed under the SFO to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities. Wong was accredited to MTF and approved to act as its RO for Type 1 (dealing in securities) regulated activity from 2 November 2016 to 20 April 2021. Wong is currently not licensed by the SFC.

<sup>2</sup> Wong was also MTF's manager-in-charge of (a) overall management oversight from 1 December 2016 to 12 April 2021; (b) operational control and review from 2 August 2018 to 12 April 2021; (c) finance and accounting from 7 December 2020 to 12 April 2021; and (d) information technology from 2 August 2018 to 12 April 2021.

<sup>3</sup> MTF was formerly known as Magusta Securities Limited. It was licensed to carry on (among others) Type 1 (dealing in securities) regulated activity under the SFO between 19 November 2004 and 14 June 2023. MTF ceased carrying on any regulated activity in or around March 2022. Its licence was voluntarily revoked on 14 June 2023.

- (a) the trading limits granted to Client B was substantially higher than his total net worth as stated in his account opening form and 10 times his declared annual income;
  - (b) the trading limit granted to Client C was double the annual income declared in his account opening form and there was no information at all regarding his total net worth; and
  - (c) each of the Three Clients had deposited only \$10,000 into their respective account with MTF.
- 6. When granting the Trading Limits to the Three Clients, MTF did not conduct due diligence on their financial status by obtaining / reviewing past income proof, bank statements, trading history and personal reputation, as required by MTF's internal policies. There were no records of the basis on which MTF granted the Trading Limits.
- 7. Wong was one of the directors who approved the board resolutions to grant the Trading Limits. She explained that she approved the Trading Limits because the substantial shareholder of MTF requested her to do so.
- 8. The SFC found that Wong acceded to the substantial shareholder's requests without questioning the basis and exercising independent judgment. In doing so, she failed to properly consider the potential risk of default by the Three Clients, which could result in MTF facing a required liquid capital deficit.
- 9. As an RO and a member of the Credit Committee of MTF at the material time, Wong was responsible for overseeing customer risk assessments, evaluating clients' creditworthiness, setting trading limits for clients, as well as the development, implementation and ongoing effectiveness of the relevant internal controls. She failed to discharge her duty to ensure that MTF:
  - (a) maintained effective policies and procedures to ensure the proper management of credit risks;
  - (b) put in place effective systems and mechanisms to evaluate client creditworthiness and set appropriate trading limits for clients; and
  - (c) established adequate procedures to ensure strict enforcement of and adherence to its internal policies governing the granting of trading limits.
- B. Failure to maintain an effective ongoing monitoring system to identify, examine and report suspicious trading patterns*
- 10. Between 22 and 27 January 2021, the Three Clients utilised essentially all the Trading Limits to conduct transactions involving the shares of a Hong Kong-listed company (**Company X**) and made profits ranging from \$3.8 million to \$5.3 million (**Transactions**).
- 11. The Three Clients' trading patterns in the Transactions demonstrated a number of suspicious features which should arouse reasonable suspicion of potential market misconduct:

- (a) All Three Clients managed to buy Company X's shares between 22 and 25 January 2021 at relatively low average prices, right before the share price surged to a much higher level at the closing of 26 January 2021 without apparent positive news about Company X or its industry.
  - (b) All Three Clients managed to sell all their shares of Company X at a relatively high average price within the first minute of the opening of the afternoon trading session on 27 January 2021, right before the share price collapsed by 68% a few minutes later. Company X's share price further plummeted by the end of the afternoon trading session and the next day, and then continued to remain at a relatively low level in the following months.
  - (c) The Transactions together represented 46%, 52% and 30% of the daily turnover of Company X's stock on 22, 25 and 27 January 2021 respectively.
12. The Transactions also demonstrated the following features of suspicious transactions described in the Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Licensed Corporations) (November 2018 edition) (**AML Guideline**<sup>4</sup>) and MTF's internal policies:
- (a) Very shortly after opening their accounts with MTF, the Three Clients conducted the Transactions and then immediately withdrew almost all the sale proceeds. They did not conduct any other transaction in their accounts with MTF.
  - (b) The nature, sizes and circumstances of the Transactions appeared to be unusual as they were not commensurate with Client B's and Client C's financial situations as reported in their account opening forms.
13. Despite the suspicious features of the Transactions and the fact that the Transactions were the only trades executed by MTF in January 2021, MTF did not identify the Transactions as suspicious, examine them, set out the findings in writing and/or report the findings to the Joint Financial Intelligence Unit (**JFIU**) until late July 2021. MTF's report to the JFIU was only made after the SFC had drawn its attention to the red flags presented by the Transactions following a limited review of MTF's business activities.
14. As MTF's RO at the material time, Wong was responsible for overseeing the ongoing monitoring of client transactions and reporting of suspicious activities, and specifically, reviewing the reports made by MTF's staff, investigating the relevant suspicious transactions / activities and reporting the relevant incidents to the authorities if suspicion remained.
15. Despite her responsibility, Wong admitted that she did not delve into how to assess whether a transaction was suspicious. Consequently, Wong failed to identify the Transactions as suspicious transactions and follow up on them, and ensure that they were reported to both the JFIU and the SFC in a timely manner.
16. Further, Wong failed to discharge her duty to ensure that:

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<sup>4</sup> This is the edition of the AML Guideline which was applicable during the Relevant Period.

- (a) MTF's systems and controls for the ongoing monitoring and identification of suspicious transactions were adequate and effective;
- (b) MTF implemented appropriate procedures to review the adequacy and effectiveness of those systems and controls; and
- (c) MTF took all reasonable measures to mitigate money laundering and terrorist financing risks.

### **The SFC's findings**

17. MTF's failures set out above constitute breaches of:

- (a) General Principle (**GP**) 3 of the Code of Conduct for Persons Licensed by or Registered with the SFC (**Code of Conduct**), which requires a licensed corporation (**LC**) to have and employ effectively the resources and procedures which are needed for the proper performance of its business activities;
- (b) GP 7 of the Code of Conduct, which requires an LC to 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;
- (c) paragraph 4.3 of the Code of Conduct, which requires an LC to have internal control procedures and financial and operational capabilities which can be reasonably expected to protect its operations, its clients and other licensed or registered persons from financial loss arising from theft, fraud and other dishonest acts, professional misconduct or omissions;
- (d) paragraph 12.1 of the Code of Conduct, which requires an LC to comply with, and implement and maintain measures appropriate to ensuring compliance with the law, rules, regulations and codes administered or issued by the SFC;
- (e) paragraph 12.5(f) of the Code of Conduct, which requires an LC to report to the SFC immediately upon the happening of any material breach, infringement or non-compliance of market misconduct provisions set out in Part XIII or Part XIV of the SFO that it reasonably suspects may have been committed by its client, giving particulars of the suspected breach, infringement or non-compliance and relevant information and documents;
- (f) Objective of Part VIII of the Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered with the SFC (**Internal Control Guidelines**), which provides that effective policies and procedures shall be established and maintained to ensure the proper management of risks to which an LC and, if applicable, its clients are exposed, particularly with regard to their identification and quantification, whether financial or otherwise, and the provision of timely and adequate information to the LC and its senior management to enable it to take appropriate and timely action to contain and otherwise adequately manage such risks;

- (g) paragraph 2 of Part VIII of the Internal Control Guidelines, which provides that appropriate and effective procedures should be established and followed to ensure that the LC's risks of suffering loss, financial or otherwise, as a consequence of client defaults or changing market conditions, are maintained at acceptable and appropriate levels, and the LC should only take on positions which it has the financial and management capacity to assume;
- (h) section 5(1)(b) of Schedule 2 to the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (**AMLO**) and paragraph 5.1(b) of the AML Guideline, which require an LC to continuously monitor the business relationship with a customer by conducting appropriate scrutiny of transactions carried out for the customer to ensure that those transactions are consistent with the LC's knowledge of the customer and the customer's business, risk profile and source of funds;
- (i) section 5(1)(c) of Schedule 2 to the AMLO and paragraph 5.1(c) of the AML Guideline, which require an LC to continuously monitor the business relationship with a customer by identifying transactions that are complex, unusually large in amount or of an unusual pattern and have no apparent economic or lawful purpose, examining the background and purposes of those transactions and setting out the findings in writing;
- (j) paragraph 5.13 of the AML Guideline, which requires an LC to take appropriate steps to identify if there are any grounds for suspicion, when a customer's transactions are not consistent with the LC's knowledge of the customer, the customer's business, risk profile or source of funds, or when the LC identifies transactions that are complex, unusually large in amount or of an unusual pattern and have no apparent economic or lawful purpose;
- (k) paragraph 5.15 of the AML Guideline, which requires an LC to make a suspicious transaction report to the JFIU where there is any suspicion identified during transaction monitoring;
- (l) paragraph 5.17 of the AML Guideline, which requires an LC to have the findings and outcomes of steps taken by it in paragraph 5.13 of the AML Guideline above, as well as the rationale of any decision made after taking these steps, properly documented in writing and made available to relevant authorities, other competent authorities and auditors;
- (m) section 19(3) of Schedule 2 to the AMLO and paragraph 5.4 of the AML Guideline, which require an LC to establish and maintain adequate systems and processes to monitor transactions;
- (n) section 23 of Schedule 2 to the AMLO, which requires an LC to take all reasonable measures to (i) ensure that proper safeguards exist to prevent a contravention of any customer due diligence requirement under Part 2 of Schedule 2 to the AMLO<sup>5</sup>; and (ii) mitigate money laundering and terrorist financing risks; and

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<sup>5</sup> Including the provisions of the AMLO set out in paragraphs 17(h), (i) and (m) above.

- (o) paragraph 5.8 of the AML Guideline, which requires an LC to regularly review the adequacy and effectiveness of its transaction monitoring systems and processes.
18. MTF's failures occurred with Wong's consent or connivance, or were attributable to Wong's neglect in discharging her duties as an RO and a member of the senior management of MTF at the material time. Specifically, Wong has failed to:
- (a) act with due skill, care and diligence, in the best interests of the clients and the integrity of the market, in breach of GP 2 of the Code of Conduct;
  - (b) ensure the maintenance of appropriate standards of conduct and adherence to proper procedures by MTF, in breach of GP 9 of the Code of Conduct; and
  - (c) properly manage the risks associated with the business of MTF, in breach of paragraph 14.1 of the Code of Conduct.

### **Conclusion**

19. Having considered all relevant circumstances, the SFC is of the opinion that Wong is guilty of misconduct and her fitness and properness to carry on regulated activities have been called into question.
20. In deciding the disciplinary sanction set out in paragraph 1 above, the SFC has taken into account all relevant circumstances, including:
- (a) MTF's failures are serious as they could undermine public confidence in, and damage the integrity of, the market;
  - (b) a deterrent message needs to be sent to the market that such failures are not acceptable;
  - (c) Wong was forthcoming about her shortcomings in the assessment of suspicious transactions during the SFC's investigation; and
  - (d) Wong has an otherwise clean disciplinary record.