

SFC bans Benjamin Zhu Zhiwei for 18 months

7 May 2015

The Securities and Futures Commission (SFC) has banned Mr Benjamin Zhu Zhiwei from re-entering the industry for 18 months from 6 May 2015 to 5 November 2016 (Note 1).

The disciplinary action follows an investigation by the SFC which found that, between 2009 and 2012, Zhu concealed his securities account and his beneficial interest in his friend's securities account from his employer and conducted personal trading in these accounts without seeking prior approval from his employer as required under its internal policy.

The SFC also found that Zhu had exposed his employer to potential conflict of interest with its clients as he traded in contract for differences, the underlying securities of which were on the employer's restricted list. While the trades were conducted after the listed companies publicly announced their corporate transactions, their securities remained on the restricted list of Zhu's employer as per its internal policy. The trades would have been rejected by his employer had Zhu sought prior approval as required.

The SFC considers Zhu's conduct fell short of the standards required of him under SFC's Code of Conduct. His dishonesty also made it impossible for his employer to monitor his trading activities and to detect any potential conflict of interest situations and/or other malpractices arising from such activities (Note 2).

In deciding the penalty, the SFC has taken into consideration the duration of Zhu's concealment of secret accounts, that he disregarded his employer's internal control policy and had not conducted the personal trades while in possession of material non-public information.

End

Notes:

1. Zhu was registered as a relevant individual with the Hong Kong Monetary Authority (HKMA) and engaged by JPMorgan Chase Bank, National Association to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities between 19 January 2009 and 26 September 2012, and was also engaged by J.P. Morgan Securities (Asia Pacific) Limited to carry on Type 1 (dealing in securities) regulated activity between 3 January 2012 and 26 September 2012. Zhu is currently not registered with the HKMA or licensed by the SFC.
2. Code of Conduct for Persons Licensed by or Registered with the SFC.

[A copy of the Statement of Disciplinary Action is available on the SFC website](#)

Page last updated : 7 May 2015

STATEMENT OF DISCIPLINARY ACTION

The Disciplinary Action

1. The Securities and Futures Commission (**SFC**) has banned Mr Zhu Zhiwei Benjamin (**Zhu**)¹ from re-entering the industry for 18 months pursuant to section 196 of the Securities and Futures Ordinance (**SFO**).
2. The disciplinary action relates to Zhu's failings concerning his personal trading. The SFC found that Zhu had:
 - (a) concealed from JPMorgan Chase Bank, National Association and J.P. Morgan Securities (Asia Pacific) Limited (collectively referred to as **JPMorgan**) his securities account and his beneficial interests in his friend's account; and
 - (b) conducted personal trading in the concealed accounts without seeking prior approval from JPMorgan as required. In doing so, Zhu exposed JPMorgan to potential conflict of interest as he traded contract for differences (**CFDs**), the underlying securities of which were restricted by JPMorgan at the material time.
3. Zhu's conduct has not met the standards required of him under General Principle 1 (Honesty and Fairness) and General Principle 6 (Conflicts of Interest) of the Code of Conduct for Persons Licensed by or Registered with the SFC (**Code of Conduct**).

Summary of Facts

4. During his employment with JPMorgan, Zhu had conducted trading activities through the securities account of his friend maintained with a broker in Singapore (**Shared Account**) and in his own securities account in Hong Kong.
5. Zhu did not disclose to JPMorgan his beneficial interests in these accounts and did not seek prior approval from JPMorgan before conducting personal trading in these accounts as required.
6. Zhu traded CFDs in the Shared Account either by sending trade instructions to his friend via his work email address or directly logged on to the Shared Account.
7. Four of Zhu's CFD trades in the Shared Account would have been rejected by JPMorgan had Zhu sought pre-clearance approval as the underlying securities of the CFDs were assorted by JPMorgan in its restricted list. These trades were conducted after the listed companies publicly announced their corporate transactions. However, their securities remained on the restricted list of JPMorgan as per its internal policy.
8. JPMorgan had put in place policies and procedures which required its employees to disclose their personal and related accounts as well as to seek pre-clearance from JPMorgan before trading. It was also the responsibility of its employees to know which issuers and securities were on the restricted list of JPMorgan prior to trading.

¹ Zhu was an individual whose name was entered in the register maintained under section 20 of the Banking Ordinance as a person engaged by JPMorgan Chase Bank, National Association to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities between 19 January 2009 and 26 September 2012, and engaged by J.P. Morgan Securities (Asia Pacific) Limited to carry on Type 1 (dealing in securities) regulated activity between 3 January 2012 and 26 September 2012. Zhu is currently not registered with the Hong Kong Monetary Authority or licensed by the SFC.

9. Zhu had completed seven training courses which are relevant to or cover the topics of staff personal dealing. Between 2009 and 2012, Zhu had annually affirmed to JPMorgan that all his securities transactions for his own account or his associated accounts had been pre-cleared by JPMorgan.
10. Zhu acknowledged that he was aware of JPMorgan's internal policies which required him to register all his personal and associated accounts with JPMorgan. He also admitted that he did not check the restricted list before conducting personal trading.

General Principle 1 (Honesty and Fairness)

11. General Principle 1 of the Code of Conduct requires registered persons to act honestly, fairly, and in the best interests of their clients and the integrity of the market when conducting their business activities.
12. Paragraph 12.2 of the Code of Conduct requires registered institutions to implement policies and procedures on employee trading and to actively monitor the trading activities in their employees' accounts and their related accounts.
13. Zhu's concealment of his beneficial interests in and personal dealings through the Shared Account and his own account fell short of the standards required of a registered person under General Principle 1 of the Code of Conduct. It also circumvented his employer's staff dealing policies which were designed to fulfil its obligations under paragraph 12.2 of the Code of Conduct.

General Principle 6 (Conflicts of Interest)

14. General Principle 6 of the Code of Conduct requires that a registered person should try to avoid conflicts of interest.
15. By dealing in securities which JPMorgan had restricted its employees from trading due to its prior involvement and obligations toward companies of the underlying stocks, Zhu had exposed JPMorgan to a potential conflict of interest position vis-à-vis these companies. His conduct fell short of the standards required of a registered person under General Principle 6 of the Code of Conduct.

Conclusion

16. JPMorgan's policies and controls with regard to employee dealings constitute an integral part of the regulatory system, as they seek to ensure integrity in the manner in which employees conduct personal trading. Zhu's misconduct had made it impossible for JPMorgan to monitor his personal trading activities and to identify and prevent the potential conflict of interest situations arising from such activities.
17. In deciding the disciplinary sanction, the SFC has taken into account all relevant circumstances, including:
 - (a) the duration of Zhu's concealment of secret accounts;
 - (b) Zhu's conduct demonstrates his disregard for his employer's internal control policies; and
 - (c) Zhu had not conducted the personal trades while in possession of material non-public information.