

## SFC bans Wong Ka Hang for nine months

28 May 2019

The Securities and Futures Commission (SFC) has banned Mr Wong Ka Hang from re-entering the industry for 9 months from 28 May 2019 to 27 February 2020 (Note 1).

The disciplinary action follows an SFC investigation which found that between January and September 2015, Wong accepted instructions from a third party to trade in a client's futures account without obtaining written authorization from the client.

Wong also used the client's password to access the account online and conduct trades on the client's behalf.

The SFC considers that Wong failed to act with due skill, care and diligence and in the best interests of the client and the lack of written authorization could also expose him and his employer to risks of potential claims by the client. Wong's conduct called into question his fitness and properness to be a licensed person.

In deciding the sanction, the SFC took into account all relevant circumstances, including Wong's otherwise clean disciplinary record.

End

Note:

1. Wong was licensed under the Securities and Futures Ordinance to carry on Type 2 (dealing in futures contracts) regulated activity and was accredited to Haitong International Futures Limited between 26 April 2011 and 26 September 2015. Wong is currently not licensed by the SFC.

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

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## STATEMENT OF DISCIPLINARY ACTION

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### The Disciplinary Action

1. The Securities and Futures Commission (**SFC**) has prohibited Mr Wong Ka Hang (**Wong**)<sup>1</sup> from re-entering the industry for 9 months pursuant to section 194 of the Securities and Futures Ordinance.
2. The SFC found that Wong:
  - (a) accepted instructions from a third party (**Third Party**) to trade in the account of a client (**Client**) without obtaining the Client's written authorization; and
  - (b) used the Client's password to access the Client's futures account online and conduct trades on his behalf.
3. Wong's conduct was in breach of General Principle 2 and paragraph 7.1(a)(i) of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (**Code of Conduct**).

### Summary of facts

4. Wong was a licensed representative of Haitong International Futures Limited (**Haitong**) between 26 April 2011 and 26 September 2015.
5. On 9 January 2015, the Client opened a futures account at Haitong.
6. Haitong's procedures for effecting third party authorization provide that:
  - (a) a third party authorization has to be signed by the client and the authorized person setting out certain prescribed information, including the identity of the authorized person and the reason for arranging such authorization;
  - (b) the third party authorization has to be approved by Haitong's authorized person; and
  - (c) no order instructions from the third party shall be accepted unless the authorization has become effective.
7. During the period from January 2015 to September 2015, the Client and/or the Third Party gave order instructions to Wong via mobile phone or WeChat messages to trade in the Client's futures account.
8. Wong accepted the Third Party's instructions even though the Client had not signed a written authorization authorizing the Third Party to give instructions

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in respect of his account, and such authorization had not been approved by Haitong's authorized person.

9. Wong would also access the Client's futures account online by using his password and conduct trades in his futures account based on the Client's or the Third Party's instructions.

#### **Breaches and reasons for action**

10. General Principle 2 of the Code of Conduct requires a licensed person to act with due skill, care and diligence, in the best interests of its clients and the integrity of the market, in conducting business activities.
11. Paragraph 7.1(a)(i) of the Code of Conduct provides that a licensed person should not effect a transaction for a client unless before the transaction is effected, the client, or a person designated in writing by the client, has specifically authorized the transaction.
12. Wong was in breach of paragraph 7.1(a)(i) of the Code of Conduct as he accepted instructions from the Third Party to trade in the Client's futures account without having obtained the Client's written authorization. Wong's conduct was also in breach of Haitong's procedures for effecting third party authorization as he failed to obtain approval of the third party authorization from Haitong's authorized person.
13. It is a fundamental duty of a licensed representative to understand and fully comply with the Code of Conduct as well as the policies and procedures of the licensed corporation to which he/she is accredited.
14. A written authorization which sets out the precise scope of the third party's authority and is properly signed by the client and approved by the firm's specified management personnel is important for safeguarding the client's interests. The lack of a written third party authorization could expose Wong and his employer to the risks of potential claims by the client.
15. Further, Wong's conduct in accessing, and trading in, the Client's account by using his password shows a lax attitude towards his duty to act in the best interests of his clients. His access to the Client's account could expose the Client to serious risks as Wong's trading in the account could not be easily identified and monitored by Haitong, such that Haitong would not have been able to, for example, detect trades which might have been placed by Wong without the Client's instructions.
16. The manner in which Wong traded in the Client's futures account by (a) acting on the Third Party's instructions without procuring a proper written authorization from the Client, and (b) accessing the account using the Client's password falls short of the standards expected of a licensed person. The SFC considers that Wong has failed to act with due skill, care and diligence and in the best interests of his client, in breach of General Principle 2 of the Code of Conduct.

#### **Conclusion**

17. Having considered all the circumstances, the SFC is of the view that Wong is not a fit and proper person to be licensed.
18. In reaching the decision to take the disciplinary action set out in paragraph 1 above, the SFC has taken into account all relevant circumstances, including:
  - (a) Wong has disregarded the requirements under the Code of Conduct and failed to comply with Haitong's procedures for effecting third party authorization; and
  - (b) Wong has an otherwise clean disciplinary record.