

SFC suspends former responsible officer of iSTAR International Futures Co. Limited for six months

19 Jun 2017

The Securities and Futures Commission (SFC) has suspended Mr Wu Biwei, former responsible officer (RO) and managing director of iSTAR International Futures Co. Limited (iSTAR), now known as Rifa Futures Limited (Rifa), for six months from 16 June 2017 to 15 December 2017 (Note 1).

The disciplinary action follows the SFC's sanctions against iSTAR over its failures to comply with anti-money laundering regulatory requirements when processing third party fund transfers between January and July 2014 (Note 2).

The SFC found that Wu, who was Rifa's most senior person at the relevant time, was contributory to Rifa's failure to have proper safeguards in place against the risks of money laundering and terrorist financing associated with third party fund transfers.

In particular, Wu, who was responsible for approving third party deposits and transfers, failed to:

- make appropriate enquiries to ensure third party fund transfers were consistent with the customers' known legitimate activities, and maintain records of such enquiries (Note 3); and
- implement internal policies effectively for the prevention of money laundering and terrorist financing, and communicate such policies to staff members.

Wu also breached Rifa's internal policies on employee dealing by exploiting Rifa's lax controls. In essence, he made deposits of substantial amounts into various clients' accounts, and received substantial third party deposits in his trading account at Rifa when he needed additional margin to trade but did not have sufficient funds.

Furthermore, Wu breached the Securities and Futures (Client Money) Rules by causing a payment of US\$200,000 from the account of a client to be made into his own (Note 4).

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

End

Notes:

1. Wu is licensed under the Securities and Futures Ordinance to carry on business in Types 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) regulated activities. Wu was accredited to Rifa as a RO between 25 October 2012 and 30 September 2014 in respect of Rifa's business in carrying on Type 2 (dealing in futures contracts) regulated activities. He is currently accredited to Futu Securities International (Hong Kong) Limited as a RO.
2. Rifa was reprimanded and fined \$3 million by the SFC over internal control deficiencies and other regulatory breaches. Please refer to the SFC's press release dated [12 April 2017](#).
3. Under paragraphs 5.10 and 5.11 of the second edition of the Guideline on Anti-Money Laundering and Counter-Terrorist Financing, a licensed corporation is required to examine and make enquiries regarding the background, purpose and circumstances of transactions which are complex, large or unusual; the findings and outcomes of such examinations and enquiries should be properly documented in writing and be available to assist the relevant authorities.
4. Section 5(3) of the Securities and Futures (Client Money) Rules provides that a licensed corporation may not pay any client money to any of its employees unless that employee is the client on whose behalf such client money is being held.
5. Licensed corporations are reminded to refer to the "Circular to Licensed Corporations and Associated Entities – Anti-Money Laundering / Counter Financing of Terrorism (AML/CFT) Compliance with AML/CFT Requirements" issued by the SFC on [26 January 2017](#) which sets out key areas of concern identified by the SFC in its review of some licensed corporations' AML/CFT systems.

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

STATEMENT OF DISCIPLINARY ACTION

I. The Disciplinary Action

1. The Securities and Futures Commission (**SFC**) has suspended Mr. Wu Biwei (**Wu**)¹, former responsible officer (**RO**) and managing director of Rifa Futures Limited, formerly known as iSTAR International Futures Co. Limited (**Rifa**), for six months pursuant to section 194 of the Securities and Futures Ordinance (**SFO**).

II. Summary of facts

2. The SFC found that between 1 January and 31 July 2014 (**Relevant Period**) Rifa failed to:
 - (a) effectively enforce its internal policies and ensure compliance with regulatory requirements on third party deposits and transfers, as evidenced by the following:
 - (i) Rifa effected a number of third party deposits:
 - before proper written directions had been obtained from clients;
 - without making any enquiries notwithstanding that the deposits were inconsistent with the clients' profiles and/or information in the relevant account opening documents;
 - (ii) Rifa effected an internal transfer from a client to an RO, namely, Wu;
 - (iii) Rifa failed to maintain proper records to show that inquiries were made concerning third party deposits;
 - (iv) Rifa did not have in place an effective approval process in respect of third party deposits; and
 - (v) Rifa failed to provide adequate anti-money laundering (**AML**) training to its staff to ensure they knew what was required to be done to fulfil their roles with respect to AML when they handled third party deposits; and
 - (b) have in place an appropriate and effective compliance function².

¹ Wu was licensed under the SFO to carry on business in Types 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising in securities) and Type 9 (asset management) regulated activities. He is currently accredited to Futu Securities International (Hong Kong) Limited as an RO. Wu was accredited to Rifa as an RO between 25 October 2012 and 30 September 2014 in respect of Rifa's business in carrying on Type 2 (dealing in futures contracts) regulated activities.

² See the SFC press release dated 12 April 2017.

The role of Wu

3. The SFC found that the internal control deficiencies of Rifa were attributable to Wu. During the Relevant Period, Wu was the most senior person at Rifa. Although he was responsible for approving third party deposits and transfers, he failed to diligently supervise his subordinates to ensure adherence to Rifa's relevant internal policies and maintenance of proper records. He also blatantly disregarded such internal policies by allowing his subordinates to process third party deposits before all requisite documents and information had been obtained.
4. Wu also accepted an internal transfer from a client of Rifa's for a purpose other than trading. He caused Rifa to effect a payment of US\$200,000 from a client's account to his, claiming that it was a repayment of a loan by him to the client. Such internal transfer was in breach of section 5(3) of the Client Money Rules³.
5. Furthermore, Wu abused the lax controls within Rifa by being personally involved in third party deposits of substantial amounts. Essentially, Wu made six deposits of substantial amounts into the accounts of various clients and received two substantial third party deposits in his trading account when he needed additional margin to trade but did not have sufficient funds.
6. No proper reason was provided by Wu in any of the above instances and Rifa did not take any reasonable steps to scrutinise or enquire about such movement of funds into or out of his account. In any event, there was no evidence that the deposits and internal transfer received requisite approval from Rifa's management committee and yet the same were processed.
7. Wu contravened Rifa's internal policies and his conduct fell short of the standard required of him. He either did not understand what was required of him in his capacity or he blatantly disregarded such requirements. The SFC is of the view that Wu acted irresponsibly and had failed in performing the role as Rifa's RO and managing director during the Relevant Period.

III. Conclusion

8. The SFC concludes that the misconduct of Rifa was a result of Wu's consent or connivance, or attributable to neglect on his part, and should also be regarded as misconduct on his part. Further, Wu's conduct was inconsistent with General Principles 2, 7 and 9 and paragraphs 4.1, 4.2 and 12.1 of the Code of Conduct, and his fitness and properness as a regulated person is called into question.
9. In deciding the disciplinary sanction set out in paragraph 1, the SFC has taken into account all relevant circumstances, including Wu's otherwise clean disciplinary record.

³ Securities and Futures (Client Money) Rules