

**NATIONAL FUTURES ASSOCIATION  
BEFORE THE  
BUSINESS CONDUCT COMMITTEE**

FILED  
NOV 21 2024  
NATIONAL FUTURES ASSOCIATION  
LEGAL DOCKETING

In the Matter of )  
 )  
FUTU FUTURES INC. ) NFA Case No. 24-BCC-013  
(NFA ID #523957), )  
 )  
Respondent. )

**COMPLAINT**

Having reviewed the investigative report submitted by the Compliance Department of National Futures Association (NFA) and having found reason to believe that NFA Requirements are being, have been, or are about to be violated and that the matter should be adjudicated, NFA's Business Conduct Committee (Committee) issues this Complaint against Futu Futures Inc. (Futu).

**ALLEGATIONS**

**JURISDICTION**

1. At all times relevant to this Complaint, Futu has been a Member of NFA. As such, Futu was and is required to comply with NFA Requirements and is subject to disciplinary proceedings for violations thereof.

**BACKGROUND**

2. Futu is a futures commission merchant (FCM) Member of NFA located in Jersey City, New Jersey. The firm became a Member in November 2020 and currently has four principals and five associated persons.
3. As of September 30, 2024, Futu's excess net capital was approximately \$995,000.

4. As an FCM, the firm is required to comply at all times with NFA Requirements, some of which incorporate CFTC Regulations by reference.
5. However, as alleged in more detail below, Futu's conduct over the past three years involves a repeated failure to comply with financial reporting deadlines, notice filing deadlines, and inadequate measures to ensure its filings are timely, which also illustrates supervisory shortcomings at the firm.

#### **APPLICABLE RULES**

6. NFA Financial Requirements Section 1(d) requires FCMs to file month-end financial reports, including a report as of its fiscal year end, no later than seventeen business days after the date for which the report is prepared.
7. NFA Financial Requirements Section 1(e) requires, in pertinent part, a Member FCM for which NFA is the designated self-regulatory organization (DSRO) that is required to file any document with or give any notice to its DSRO under CFTC Regulations 1.10 [Financial reports of futures commission merchants and introducing brokers] or 1.12 [Maintenance of minimum financial requirements by futures commission merchants and introducing brokers] shall also file one copy of such document with or give such notice to NFA, in a form and manner required by NFA, no later than the date such document or notice is due to be filed with or given to the CFTC or the self-regulatory organization.
8. NFA Compliance Rule 2-9(a) requires each Member to diligently supervise its employees and agents in the conduct of their commodity interest activities for or on behalf of the Member.

**COUNT I**

**VIOLATIONS OF NFA FINANCIAL REQUIREMENTS SECTION 1(d) AND 1(e):  
FAILURE TO FILE TIMELY MONTHLY FINANCIAL REPORTS AND FAILURE TO  
FILE TIMELY NOTICE OF MATERIAL CHANGES IN ITS OPERATIONS OR SENIOR  
MANAGEMENT.**

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9. The foregoing paragraphs are realleged as if fully stated herein.
10. As an FCM Member, Futu is required to report financial and other operational information to NFA through various reports and filing deadlines required under NFA Requirements.
11. Under Financial Requirements Section 1(d), Futu is required to file its month-end financial report with NFA no later than 17 business days after the month end.
12. Also under Financial Requirements Section 1(e), Futu is required to notify NFA within 24 hours of any material change in its operations or risk profile, including any changes in senior management.
13. Further, NFA and CFTC Requirements obligate Futu to use WinJammer to electronically file financial statements and other regulatory filings, including notices of material operational changes, with NFA as Futu's DSRO (notice filings).
14. Despite these obligations, Futu has a history of not complying with NFA financial and operational filing requirements.
15. Since Futu became an FCM in November 2020, the firm has filed three financial statements one business day late as illustrated in the chart below.

<b>Statement Date</b>	<b>Due Date</b>	<b>Received Date</b>	<b>Days Late</b>
3/31/2021	4/23/2021	4/26/2021	1
3/31/2023	4/25/2023	4/26/2023	1
4/30/2024	5/23/2024	5/24/2024	1

16. As a result of these late filings, NFA assessed Futu a total of \$3,000 in late fees.
17. The late filing in 2021 prompted NFA to send a letter to Futu on May 6, 2021, stressing the seriousness of the firm's failure to file timely financial statements. NFA also required Futu to provide a written response explaining the reasons for the late filing and the corrective action the firm would take to ensure it filed future financial statements on time.
18. In its response, Futu indicated that that the failure to timely file was due to an administrative error. Additionally, Futu represented that the firm implemented controls to ensure that there was secondary oversight to ensure timely future submissions.
19. Despite these remedial measures, Futu subsequently filed its March 31, 2023 financial statement one day late.
20. In addition to the late financial statement, Futu failed to file a required notice filing when it made changes in senior management. Specifically, Futu changed its chief financial officer (CFO) on August 6, 2022 but reported the change to NFA approximately eight months later – on April 5, 2023 – after NFA notified Futu of the requirement to do so.
21. Futu changed CFOs again on September 5, 2023 but filed the required notice on October 6, 2023 – approximately one month late.
22. Due to these deficiencies, NFA sent Futu a letter on October 23, 2023, outlining the late filings and requiring the firm to explain the reason for the late financial statement and notice filings. NFA's October 2023 letter also directed the firm to

describe the corrective action taken to ensure similar violations did not occur in the future.

23. In response, Futu acknowledged the firm's lapses in reporting and represented that the changes in CFOs led to confusion on who was responsible for submitting the reports.
24. Futu further explained that it implemented staffing changes to ensure that the firm would make future regulatory filings in a timely manner. Specifically, Futu's Head of Finance was going to be responsible for all financial report filings while the chief compliance officer would be responsible for ensuring that the obligations were met for all future notice filings and all registration issues going forward.
25. However, even with this corrective action in place, Futu filed its April 30, 2024 month-end financial statement one day late, on May 24, 2024.
26. Futu indicated that the late May 2024 filing was an oversight because the person responsible for making the submission had left the firm. Further, Futu represented that it had assigned the CFO, chief executive officer and another compliance employee to ensure that all future reporting is done in a timely fashion.
27. This late filing also prompted the CFTC's Market Participants Division (MPD) to send Futu a letter on August 27, 2024, which letter copied NFA. MPD's letter directed Futu to modify its procedures to prevent the recurrence of the firm's apparent regulatory violations.

28. In addition to filing an untimely financial statement in May 2024, Futu subsequently failed to report two material events to NFA within the requisite 24-hour period.
29. Specifically, on July 18, 2024, Futu's business location changed from Palo Alto, California to Jersey City, New Jersey but Futu did not report this change in WinJammer until August 16, 2024.
30. On July 31, 2024, Futu's CFO departed the firm, but Futu did not report this material change in senior management until August 16, 2024.
31. Futu responded to NFA's request for more information on these reporting deficiencies by explaining that there was "some confusion at Futu with how to report in WinJammer."
32. Despite paying late fees and receiving repeat warnings from NFA, Futu's failure to file timely financial reports and notice filings with NFA has continued.
33. By reason of the foregoing acts and omissions, Futu is charged with violations of NFA Financial Requirements Sections 1(d) and 1(e).

## **COUNT II**

### **VIOLATIONS OF NFA COMPLIANCE RULE 2-9(a): FAILURE TO SUPERVISE.**

34. The foregoing paragraphs are realleged as if fully stated herein.
35. Under Compliance Rule 2-9(a), Futu is required to diligently supervise its employees and agents in the conduct of their commodity interest activities for or on behalf of the firm.
36. However, as alleged above, Futu has failed to adequately fulfill its supervisory responsibilities.

37. The supervision deficiencies include Futu's failure to comply with its obligation to file timely financial reports and notice of its changes in CFOs and location of the firm's principal place of business.
38. Futu's continuous late filings demonstrate the firm's lax approach to supervising its operations and employees and an indifference to complying with its NFA regulatory obligations.
39. Futu's failure to diligently supervise is further illustrated by the various reasons the firm provided for the late filings in its responses to NFA's inquiries.
40. As alleged above, Futu attributed the 2021 late filing to an administrative error, indicated confusion over who was responsible for such duties at Futu caused the 2023 late filings, and claimed an oversight and "confusion with WinJammer" to explain the 2024 late filings.
41. Futu's explanations for its repeated late financial reports and late notice filings also raise questions about whether the firm and its employees understand the importance of, and take seriously, its reporting obligations.
42. In response to each of NFA's inquiries, Futu also explained the corrective action that the firm had implemented, or planned to implement, to remediate the late filing problems. However, the firm's continued late filings demonstrate that those remediation efforts have been inadequate.
43. The foregoing circumstances, together with high turnover in the firm's CFO position, also demonstrate that Futu lacks preparedness and capability to comply completely with regulatory requirements as an FCM and reveals inadequate supervision of the firm's overall operations.

44. By reason of the foregoing acts and omissions, Futu is charged with violating NFA Compliance Rule 2-9(a).

### **PROCEDURAL REQUIREMENTS**

#### **ANSWER**

You must file a written Answer to the Complaint with NFA within thirty (30) days of the date of the Complaint. The Answer shall respond to each allegation in the Complaint by admitting, denying, or averring that you lack sufficient knowledge or information to admit or deny the allegation. An averment of insufficient knowledge or information may only be made after a diligent effort has been made to ascertain the relevant facts and shall be deemed to be a denial of the pertinent allegation.

The place for filing an Answer shall be:

National Futures Association  
320 South Canal Street  
Suite 2400  
Chicago, Illinois 60606  
Attn: Legal Department-Docketing

Email: [Docketing@nfa.futures.org](mailto:Docketing@nfa.futures.org)

Failure to file an Answer as provided above shall be deemed an admission of the facts and legal conclusions contained in the Complaint. Failure to respond to any allegation shall be deemed an admission of that allegation. Failure to file an Answer as provided above shall be deemed a waiver of hearing.

**POTENTIAL PENALTIES, DISQUALIFICATION, AND INELIGIBILITY**

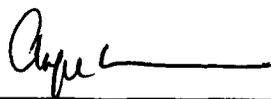
At the conclusion of the proceedings conducted in connection with the issuance of this Complaint, one or more of the following penalties may be imposed:

- (a) expulsion or suspension for a specified period from NFA membership;
- (b) bar or suspension for a specified period from association with an NFA Member;
- (c) censure or reprimand;
- (d) a monetary fine not to exceed \$500,000 for each violation found; and
- (e) order to cease and desist or any other fitting penalty or remedial action not inconsistent with these penalties.

The allegations in this Complaint may constitute a statutory disqualification from registration under Section 8a(3)(M) of the Commodity Exchange Act. A Respondent in this matter who applies for registration in any new capacity, including as an AP with a new sponsor, may, after opportunity for hearing, be denied registration or conditionally registered based on the pendency of this proceeding.

**NATIONAL FUTURES ASSOCIATION  
BUSINESS CONDUCT COMMITTEE**

Dated: 11/21/2024

By:   
Chairperson

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