

## FINANCIAL INDUSTRY REGULATORY AUTHORITY

In the Matter of the  
Continued Membership  
of  
Haitong International Securities (USA) Inc.  
(CRD No. 132201)

Notice Pursuant to  
Rule 19h-1  
Securities Exchange Act  
of 1934

SD-2413

**March 11, 2025**

### **I. Introduction**

On August 30, 2024, Haitong International Securities (USA) Inc. (“Haitong” or “Firm”) submitted a Membership Continuance Application (“MC-400A” or “Application”) to FINRA’s Credentialing, Registration, Education, and Disclosure (“CRED”) Department.<sup>1</sup> The Application seeks to permit the Firm, a FINRA member, to continue its membership with FINRA notwithstanding its statutory disqualification. A hearing was not held in this matter; rather, pursuant to FINRA Rule 9523(b), FINRA’s Department of Member Supervision (“FINRA,” “Member Supervision,” or “Department”) approves the Application and is filing this Notice pursuant to Rule 19h-1 of the Securities Exchange Act of 1934 (“Exchange Act” or “SEA”).

### **II. The Statutorily Disqualifying Event**

The Firm is subject to statutory disqualification, as that term is defined in Section 3(a)(39)(F) of the Exchange Act, incorporating by reference Sections 15(b)(4)(D) and (E), as a result of an August 2024 order issued by the Securities and Exchange Commission (“SEC” or “Commission”) finding that Haitong willfully violated Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) and failed reasonably to supervise its employees with a view to preventing or detecting certain of its employees’ aiding and abetting violations of Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) thereunder (“SEC Order”).<sup>2</sup>

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<sup>1</sup> See MC-400A and related attachments compiled by CRED, with a cover memorandum dated September 5, 2024, attached as Exhibit 1.

<sup>2</sup> See SEC Order, *In re Haitong International Securities (USA) Inc.*, Exchange Act Release No. 100708 (Aug. 14, 2024), attached as Exhibit 2.

The SEC Order also triggered disqualification under Rules 262(b)(2), 506(d)(2)(ii), and 602(e) of the Securities Act of 1933 and Rule 503(b)(2) of Regulation Crowdfunding. On August 14, 2024, the SEC granted a waiver from the application of the disqualification provisions of these Rules. See *In re Off-Channel Communications at Registered Entities*, Securities Act Release No. 11298 (Aug. 14, 2024), attached as

According to the SEC Order, from at least June 2019, Haitong employees sent and received off-channel communications that related to the Firm's business, and a majority of these written communications were not maintained or preserved by the Firm.<sup>3</sup> Further, supervisors who were responsible for preventing this misconduct among junior employees routinely communicated off-channel using their personal devices, and, in so doing, failed to comply with Firm policies by communicating using non-Firm approved methods on their personal devices about the Firm's broker-dealer business.<sup>4</sup>

The Firm was censured, ordered to cease and desist from committing or causing any violations and future violations, ordered to pay a civil money penalty of \$400,000, and ordered to comply with certain undertakings.<sup>5</sup> The Firm represented that it paid the money penalty on August 23, 2024 and is in compliance with the undertakings.<sup>6</sup>

### **III. Remedial Measures**

In its Application, the Firm represented that it undertook significant remedial measures prior to the issuance of the SEC Order.<sup>7</sup> This includes implementing enhanced policies and procedures, instituting increased training concerning the use of approved communications methods, and instituting significant changes to the scope of technology made available to Firm personnel.<sup>8</sup>

The Firm also represented that it has undertaken significant remedial measures in response to the SEC's findings.<sup>9</sup> These measures include a comprehensive review of the Firm's policies and procedures, an evaluation of its training programs and disciplinary framework, an assessment of surveillance practices, an analysis of records retention technologies, and the implementation of safeguards to prevent the unauthorized use of electronic communication methods.<sup>10</sup> According to the SEC Order, the Commission considered the Firm's prompt remedial actions and cooperation with the SEC when determining to accept the Offer of Settlement.<sup>11</sup>

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Exhibit 3.

<sup>3</sup> See Exhibit 2 at p. 2 para. 3.

<sup>4</sup> *Id.* at p. 2 para. 4.

<sup>5</sup> *Id.* at p. 9.

<sup>6</sup> See Firm correspondence dated January 17, 2024 [sic], attached as Exhibit 4 at FINRA pp. 1, 3, 5-39.

<sup>7</sup> See Exhibit 1 at FINRA000053 para. B.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.* at FINRA000054 para. C.

<sup>10</sup> *Id.* at FINRA000054 – FINRA000055 para. C (1).

<sup>11</sup> See Exhibit 2 at p. 5 para. 25.

#### **IV. Firm Background**

The Firm has been a FINRA member since January 13, 2005.<sup>12</sup> It is headquartered in New York, New York, with one branch office (which is also an Office of Supervisory Jurisdiction).<sup>13</sup> The Firm employs approximately 18 registered representatives (11 of which are registered principals), one operations professional, and one non-registered fingerprint employee.<sup>14</sup> The Firm does not employ any statutorily disqualified individuals.<sup>15</sup>

Haitong is approved to engage in the following lines of business: broker or dealer making inter-dealer markets in corporate securities over-the-counter; broker or dealer retailing corporate equity securities over-the-counter; underwriter or selling group participant (corporate securities other than mutual funds); non-exchange member arranging for transactions in listed securities by exchange member; trading securities for own account; private placements of securities; engages in other securities business, including chaperoning services for the research, trading and investment banking activities of its foreign affiliates under SEC Rule 15a-6, and mergers and acquisitions.<sup>16</sup>

The Firm is a member of the following self-regulatory organization (“SRO”): The Nasdaq Stock Market LLC (“Nasdaq”).<sup>17</sup>

#### **Recent Examinations**

In the past two years, FINRA completed no routine examinations of the Firm, and completed one non-routine examination, which resulted in a Cautionary Action Letter (“CAL”). The SEC also completed one examination that resulted in a deficiency letter.

##### **A. FINRA Non-Routine Examination**

In June 2024, FINRA issued a CAL to the Firm based on one exception pertaining to the Firm’s inaccurate FOCUS Part II filing which misclassified two non-negotiable Certificates of Deposits (“CDs”) as allowable assets.<sup>18</sup> The Firm responded in writing

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<sup>12</sup> See Central Registration Depository (“CRD”) Excerpt – Organization Registration Status, attached as Exhibit 5.

<sup>13</sup> FINRA confirmed this through analysis of the Firm’s information contained in CRD, last performed on February 15, 2025.

<sup>14</sup> *Id.*

<sup>15</sup> *Id.*

<sup>16</sup> See CRD Excerpts – Types of Business and Other Business Descriptions, collectively attached as Exhibit 6.

<sup>17</sup> See Exhibit 5.

<sup>18</sup> See Disposition Letter for Examination No. 20230806674 dated June 12, 2024, Examination Report dated

addressing the exception and noting that it added a robust due diligence review and approval of any new potential deposit counterparties.<sup>19</sup>

#### **B. SEC Examination**

In June 2023, the SEC concluded an examination of the Firm, identifying deficiencies related to the Firm’s compliance with social media and instant messaging record-keeping requirements, as well as the Firm’s failure to establish, maintain or enforce written supervisory procedures sufficient to comply with Regulation S and Rule 144A.<sup>20</sup> The Firm acknowledged the SEC’s findings and updated its policies and procedures to address the deficiencies.<sup>21</sup>

#### **Regulatory Actions**

In the past two years, Haitong has not been the subject of any disciplinary actions, aside from the SEC Order that led to the Application.

#### **V. Prior SEA Rule 19h-1 Notices**

Haitong has not been subject to any prior SEA Rule 19h-1 or 19d-1 Notices.

#### **VI. The Firm’s Proposed Continued Membership with FINRA and Plan of Heightened Supervision**

The Firm seeks to continue its membership with FINRA notwithstanding its status as a disqualified member. The Firm has agreed to the following Plan of Heightened Supervision (“Supervision Plan” or “Plan”) as a condition of its continued membership with FINRA.<sup>22</sup>

Haitong International Securities (USA) Inc. (the “Firm”) is subject to statutory disqualification pursuant to Section 3(a)(39)(F) of the Securities Exchange Act of 1934, which incorporates by reference Sections 15(b)(4)(D) & (E), as a result of an order issued by the U.S. Securities and Exchange Commission (“SEC” or “Commission”) dated August 14, 2024 which found that the Firm willfully violated Section 17(a) of the Securities Exchange Act of 1934 and Rule 17a-4(b)(4) thereunder (“SEC Order”). The SEC Order also found that the Firm failed reasonably to supervise its employees within the meaning of Section 15(b)(4)(E).

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May 21, 2024, and Firm Response dated June 3, 2024, collectively attached as Exhibit 7.

<sup>19</sup> *Id.* at FINRA pp. 7-8.

<sup>20</sup> See SEC Examination Letter, SEC File No. 8-66566 dated June 29, 2023, and Firm Response dated August 31, 2023, collectively attached as Exhibit 8.

<sup>21</sup> *Id.* at FINRA pp. 10-13.

<sup>22</sup> See Executed Consent to Plan of Heightened Supervision dated February 11, 2025, attached as Exhibit 9.

For the purpose of this Supervision Plan, the term “Digital Communication Channels” means all written electronic methods of communication used to conduct Firm business, including but not limited to, text messaging platforms, whether via SMS messaging, iMessage, or other messaging services such as WeChat; WhatsApp; direct messaging platforms including X f/k/a “Twitter,” Instagram, LinkedIn, Slack, or Bloomberg Messaging; non-firm domain email accounts; and any other written electronic business-related correspondence. “Digital Communication Channels” encompass platforms used to exchange messages with internal or external stakeholders using either a personal or Firm-provided device.

For the purpose of this Supervision Plan, the term “Off-Channel Communications” means all business-related written electronic messages sent on Digital Communication Channels that are not captured by Firm surveillance and record-keeping systems.

In consenting to this Supervision Plan, the Firm agrees to the following:

1. The Firm shall comply with all of the undertakings outlined in the SEC Order.
2. The Firm shall maintain copies of all correspondence between the Firm and Commission staff relating to the SEC Order, including documenting when Commission staff grants extensions to the deadlines set forth in the SEC Order. The Firm shall maintain copies of all such correspondence in a readily accessible place for ease of review by FINRA staff.
3. The Firm shall provide FINRA’s Statutory Disqualification Group with copies of all certifications submitted to the SEC upon completion of the undertakings as specified in the SEC Order. The Firm shall maintain copies of all certifications in a readily accessible place for ease of review by FINRA staff.
4. The Firm shall maintain copies of all reports and supporting documentation submitted to SEC staff in accordance with the SEC Order, as well as any other documentation needed to evidence the status and completion of each of the undertakings outlined in the SEC Order. The Firm shall maintain copies of such documentation in a readily accessible place for ease of review by FINRA staff.
5. Within six months of the SEC’s Letter of Acknowledgement (“LOA”) in this matter, to the extent that it has not already done so within the past six months, and on at least an annual basis thereafter, for a term of six years from the date of the LOA, the Firm shall conduct training for all associated persons regarding the Digital Communication Channels that the Firm has approved for business communication, along with the Firm’s current policies regarding retention of business-related electronic communications. The Firm shall maintain a record of individual completion of said training and a copy of said training materials in a readily accessible place for ease of review by FINRA staff.
6. The Firm shall conduct the training described in Paragraph 5 above for all new hires, within 65 days from the date of commencement of new hire training, for a

term of six years from the date of the LOA. The Firm shall retain a record of all new hire training, including a copy of all written training materials, and keep said record(s) in a readily accessible place for ease of review by FINRA staff.

7. Within 90 days of the LOA, the Firm shall, to the extent that it has not already done so, establish and maintain a written list(s) of all Digital Communication Channels that its associated persons are permitted to use to communicate about Firm business. The list(s) shall be circulated to all of the Firm's associated persons at least on a semi-annual basis, for a term of six years from the date of the LOA. The Firm shall require that all associated persons obtain written approval for use of any Digital Communication Channels to communicate about Firm business that are not already on the approved list(s) maintained by the Firm. The Firm shall maintain a record of all requests and approvals or rejections of each request, including the date of the requests and the Firm's decision. The Firm shall maintain copies of such requests and decisions in a readily accessible place for ease of review by FINRA staff.
8. The Firm shall require all associated persons to disclose on at least a semi-annual basis, for a term of six years from the date of the LOA, any unapproved Digital Communication Channels he/she is using to communicate about Firm business. The Firm shall maintain records of such disclosures in a readily accessible place for ease of review by FINRA staff.
9. Subject to Paragraph 7 above, the Firm shall prohibit associated persons from using Off-Channel Communications.
10. Within 90 days of the LOA, the Firm shall, to the extent that it has not already done so, develop a process whereby, in the event that an associated person sends or receives an Off-Channel Communication, the Off-Channel Communication is submitted to the Firm and retained in compliance with relevant securities laws and regulations. For a term of six years from the date of the LOA, the Firm shall maintain a record of all such Off-Channel Communications, including a record of the Firm's receipt of the communication, in a readily accessible place for ease of review by FINRA staff.
11. Within 90 days of the LOA, the Firm shall, to the extent that it has not already done so, develop and maintain written supervisory policies and procedures detailing the Firm's processes for disciplining associated persons who use Off-Channel Communications to communicate about Firm business. When the Firm uses the disciplinary process, the Firm shall document each instance. The Firm shall retain records of such written supervisory policies and procedures and records of the disciplinary processes and each outcome.
12. All requested documents and certifications under this Supervision Plan shall be sent directly to FINRA's Statutory Disqualification Group at [SDMailbox@FINRA.org](mailto:SDMailbox@FINRA.org).
13. The Firm shall obtain written approval from FINRA's Statutory Disqualification Group prior to changing any provision of the Supervision Plan.

14. The Firm shall submit any proposed changes or other requested information under this Supervision Plan to FINRA's Statutory Disqualification Group at [SDMailbox@FINRA.org](mailto:SDMailbox@FINRA.org).

## **VII. Discussion**

After carefully reviewing the entire record in this matter, FINRA approves the Firm's request to continue its membership with FINRA, subject to the terms and conditions set forth herein. In evaluating Haitong's Application, FINRA assessed whether the Firm has demonstrated that its continued membership is consistent with the public interest and does not create an unreasonable risk of harm to investors or the markets. *See FINRA By-Laws, Art. III, Sec. 3(d); cf. Frank Kufrovich*, 55 S.E.C. 616, 624 (2002) (holding that FINRA "may deny an application by a firm for association with a statutorily disqualified individual if it determines that employment under the proposed plan would not be consistent with the public interest and the protection of investors"). Typically, factors that bear on FINRA's assessment include, among other things, the nature and gravity of the statutorily disqualifying misconduct, the time elapsed since its occurrence, the restrictions imposed, the Firm's regulatory history, and whether there has been any intervening misconduct.

As of the date of this Notice, FINRA has determined that the Firm's continued membership is consistent with the public interest and does not create an unreasonable risk of harm to investors or the markets. While the SEC Order identified serious violations of securities laws, the Firm was not expelled or suspended, nor were any limitations placed on Haitong's securities activities. Although the SEC Order triggered certain disqualifications from exemptions from registration available under the Securities Act of 1933 ("Securities Act"), specifically Regulations A, D and E of the Securities Act and Regulation Crowdfunding, the SEC granted the Firm a waiver from the application of the disqualification provisions of Rules 262(a)(4)(ii), 506(d)(1)(iv)(B), and 602(c)(3) of the Securities Act and Rule 503(a)(4)(ii) of Regulation Crowdfunding. Moreover, the full amount of the civil monetary penalty was promptly paid. Additionally, the Firm represented that it is in compliance with the ordered undertakings.

Member Supervision also acknowledges that within the SEC Order the Commission considered the Firm's prompt remedial actions and cooperation with the Commission when determining to accept the Offer of Settlement. Specifically, prior to and after the issuance of the SEC Order, the Firm increased training in connection with the use of approved communications methods on personal devices and implemented significant changes to the technology available to personnel. In addition, the Firm conducted a comprehensive review of its policies and procedures, as well as its training and disciplinary framework, plus an assessment of surveillance measures, records retention technological solutions, and safeguards against unauthorized use of electronic communication methods.

In its evaluation of the Firm's Application, FINRA acknowledges the Firm's lack of recent regulatory history. Member Supervision also notes that, with respect to the Firm's recent examination exception and CAL, the Firm responded in writing addressing the root causes of the exceptions, detailing action plans that the Firm developed to address the issues as well as enhancements made to relevant policies and procedures.

FINRA is further reassured by the controls set in place by the Firm's Supervision Plan which bolster the undertakings outlined in the SEC Order and will continue to provide oversight of the Firm and compliance with its remaining undertakings. In accordance with the Plan, the Firm agreed to conduct annual training for all associated persons, including new hires, regarding the Firm's approved digital communication methods and record retention policies for electronic communications. Further, the Plan calls for the Firm to maintain a list of approved digital communication methods that associated persons are permitted to use for Firm business and to circulate that list to its associated persons semi-annually. The Plan requires the Firm's associated persons to obtain written approval to use digital communication channels not already approved. The Plan prohibits the use of off-channel communications and requires associated persons to semi-annually disclose any unapproved digital communication methods they are using for Firm business; they must also forward any off-channel communications that may have taken place to the Firm for retention purposes. These provisions will help to ensure that the Firm is aware of the communication methods being used by associated persons so that it can appropriately monitor, capture, and retain those communications. Additionally, the Plan mandates that the Firm develop policies and procedures for disciplining associated persons who use unapproved communication methods for Firm business and segregate all certifications, reports, and supporting documentation submitted to the SEC regarding compliance with the undertakings, for ease of review by FINRA staff to ensure ongoing compliance.

Following the approval of the Firm's continued membership in FINRA, FINRA intends to utilize its examination and surveillance processes to monitor the Firm's continued compliance with the standards prescribed by Exchange Act Rule 19h-1 and FINRA Rule 9523.

Thus, FINRA is satisfied, based on the foregoing and on the Firm's representations made pursuant to the Supervision Plan, that the Firm's continued membership in FINRA is consistent with the public interest and does not create an unreasonable risk of harm to the market or investors. Accordingly, FINRA approves Haitong's Application to continue its membership with FINRA.

FINRA certifies that the Firm meets all qualification requirements and represents that the Firm is registered with another SRO: Nasdaq. The SRO has been provided with the terms and conditions of Haitong's proposed continued membership and concur with FINRA.

In conformity with the provisions of Rule 19h-1 of the Exchange Act, the continued membership of the Firm will become effective within 30 days of the receipt of this notice by the Commission, unless otherwise notified by the SEC.

On Behalf of FINRA,



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Marcia E. Asquith  
Executive Vice President & Corporate Secretary

EXHIBITS  
SD-2413

1. MC-400A and related attachments compiled by CRED, with a cover memorandum dated September 5, 2024.
2. SEC Order, *In re Haitong International Securities (USA) Inc.*, Exchange Act Release No. 100708 (Aug. 14, 2024).
3. *In re Off-Channel Communications at Registered Entities*, Securities Act Release No. 11298 (Aug. 14, 2024).
4. Firm correspondence dated January 17, 2024 [sic].
5. CRD Excerpt: Organization Registration Status.
6. CRD Excerpts – Types of Business and Other Business Descriptions.
7. Disposition Letter for Examination No. 20230806674 dated June 12, 2024, Examination Report dated May 21, 2024, and Firm Response dated June 3, 2024.
8. SEC Examination Letter, SEC File No. 8-66566 dated June 29, 2023, and Firm Response dated August 31, 2023.
9. Executed Consent to Plan of Heightened Supervision dated February 11, 2025.

## Exhibit A

### Plan of Heightened Supervision

Haitong International Securities (USA) Inc. (the “Firm”) is subject to statutory disqualification pursuant to Section 3(a)(39)(F) of the Securities Exchange Act of 1934, which incorporates by reference Sections 15(b)(4)(D) & (E), as a result of an order issued by the U.S. Securities and Exchange Commission (“SEC” or “Commission”) dated August 14, 2024, which found that the Firm willfully violated Section 17(a) of the Securities Exchange Act of 1934 and Rule 17a-4(b)(4) thereunder (“SEC Order”). The SEC Order also found that the Firm failed reasonably to supervise its employees within the meaning of Section 15(b)(4)(E).

In consenting to this Supervision Plan<sup>1</sup> (“Supervision Plan”), the Firm agrees to the following:

1. The Firm shall comply with all the undertakings outlined in the SEC Order.
2. The Firm shall maintain copies of all correspondence between the Firm and Commission staff relating to the SEC Order, including documenting when Commission staff grants extensions to the deadlines set forth in the SEC Order. The Firm shall maintain copies of all such correspondence in a readily accessible place for ease of review by FINRA staff.
3. The Firm shall maintain copies of all reports and supporting documentation submitted to SEC staff in accordance with the SEC Order, as well as any other documentation needed to evidence the status and completion of each of the undertakings outlined in the SEC Order. The Firm shall maintain copies of such documentation in a readily accessible place for ease of review by FINRA staff.
4. The Firm shall provide FINRA’s Statutory Disqualification Group with copies of all certifications submitted to the SEC upon completion of the undertakings as specified under paragraph 33 of the SEC Order.
5. This Supervision Plan shall take effect on the date the Firm executes its consent to this Supervision Plan. The Supervision Plan shall be in effect until FINRA’s receipt of the Firm’s final certifications required by the SEC Order, after which time the Supervision Plan and its provisions thereto will expire.
6. All requested documents and certifications under this Supervision Plan shall be sent directly to FINRA’s Statutory Disqualification Group at [SDMailbox@FINRA.org](mailto:SDMailbox@FINRA.org).
7. The Firm shall obtain written approval from FINRA’s Statutory Disqualification Group prior to changing any provision of the Supervision Plan.

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<sup>1</sup> This Supervision Plan supersedes the Firm’s previous Supervision Plan executed on February 11, 2025.

8. The Firm shall submit any proposed changes or other requested information under this Supervision Plan to FINRA's Statutory Disqualification Group at [SDMailbox@FINRA.org](mailto:SDMailbox@FINRA.org).