FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2021072581701

TO: Department of Enforcement
Financial Industry Regulatory Authority (FINRA)

RE: Moomoo Financial Inc., formerly known as Futu Inc. (Respondent)
Member Firm
CRD No. 283078

Pursuant to FINRA Rule 9216, Respondent Moomoo Financial Inc. submits this Letter of Acceptance, Waiver, and Consent (AWC) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

Moomoo Financial Inc., which became a FINRA member in 2018, provides self-directed trading to retail investors through its online portal.[1] Headquartered in Jersey City, New Jersey, the firm has approximately 40 registered representatives.[2]

OVERVIEW

From January 2020 through the present, Moomoo Financial paid individuals with followings on social media sites (commonly known as "influencers") to promote the firm in social media communications. Such influencers posted social media communications on the firm's behalf that were not fair and balanced or made claims that were promissory or misleading. Therefore, Moomoo Financial violated FINRA Rules 2210(d)(1), 2210(e), 2220(d)(2)(A), and 2010.

From January 2020 through September 2022, Moomoo Financial failed to have a registered principal review and approve influencers' static content (such as videos) or options communications prior to posting on social media platforms and failed to review

[1] On August 9, 2022, the firm changed its name from Futu Inc. to Moomoo Financial Inc.

[2] For more information about the firm, visit BrokerCheck® at www.finra.org/brokercheck.

posts made by influencers in online interactive electronic forums.[3] From January 2020 through November 2021, the firm also did not maintain records of its influencers' communications, the dates the communications were used, or the name of the registered principal who approved the communications or the date of approval (where required). Nor did the firm file options communications with the Advertising Regulation Department of FINRA, where required.

From January 2020 through the present, Moomoo Financial also failed to establish, maintain, and enforce a system, including written supervisory procedures (WSPs), reasonably designed to supervise social media communications disseminated on the firm's behalf by the firm's influencers and related recordkeeping and filing requirements. Therefore, the firm violated the Securities Exchange Act of 1934 Section 17(a), Exchange Act Rule 17a-4(b)(4), and FINRA Rules 2210(b), 2220(b), 2220(c), 4511, 3110, and 2010.

In addition, from January 2018 until December 2021, Moomoo Financial did not provide a copy of the firm's privacy policy to approximately 450,000 customers at the time the customers opened brokerage accounts at the firm. During that same period, the firm also failed to provide annual privacy notices to those customers. As a result, the firm violated Regulation S-P of the Exchange Act Rule 4 (17 CFR § 248.4), Regulation S-P Rule 5 (17 CFR § 248.5), and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from a FINRA examination of firms' practices related to the acquisition of customers through social media channels and the sharing of customer information.

1. Moomoo Financial's influencer communications were not fair and balanced and included misleading and promissory statements.

FINRA Rule 2210 addresses FINRA member communications with the public and includes content standards that apply to all member communications, including retail communications. FINRA Rule 2210(a)(5) defines retail communication as any written (including electronic) communication that is distributed or made available to more than 25 retail investors within any 30 calendar-day period.

FINRA Rule 2210(d)(1)(A) requires that all member communications be based on principles of fair dealing and good faith, be fair and balanced, and provide a sound basis for evaluating the facts regarding any particular security, industry, or service. In addition, no member may omit any material fact or qualification if the omission, considering the context of the material presented, would cause the communication to be misleading. FINRA Rule 2210(d)(1)(B) states that no member may make any false, exaggerated, unwarranted, promissory, or misleading statement or claim in any communication or

[3] Static content refers to content that is typically posted for the longer term and lacks the immediacy of a real time conversation. *See* https://www.finra.org/rules-guidance/key-topics/social-media.

publish, circulate, or distribute any communication that the member knows or has reason to know contains any untrue statement of a material fact or is otherwise false or misleading. FINRA Rule 2210(e) prohibits communications from stating or implying that FINRA or any other regulatory organization endorses, indemnifies, or guarantees the member's business practices, selling methods, the class of securities offered or any specific security.

FINRA Rule 2220(d)(2)(A) states that no member shall use any options communication that "fails to reflect the risks attendant to options transactions and the complexities of certain options investment strategies" or "fails to include a warning to the effect that options are not suitable for all investors or contains suggestions to the contrary."

Violations of FINRA Rules 2210 and 2220 also are violations of FINRA Rule 2010, which requires member firms to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business.

In Regulatory Notices 10-06 and 17-18, FINRA stated that third parties' social media posts would constitute communications subject to FINRA Rule 2210 if a member firm either (1) paid for or was involved in the preparation of the content prior to posting (which FINRA referred to as "entanglement") or (2) explicitly or implicitly endorsed or approved the content (which FINRA referred to as "adoption"). Regulatory Notice 17-18 also stated firms should clearly identify as advertisements any communications that take the form of comments or posts by paid influencers as well as any other information required for compliance with FINRA Rule 2210.

From January 2020 through the present, Moomoo Financial paid approximately 400 influencers to promote the firm on social media platforms, including in static posts (such as videos) and in online interactive electronic forums. The firm paid these influencers either for each new account opened with a unique link provided by Moomoo Financial or for each post the influencer created promoting the firm. The firm did not limit the compensation influencers could earn. During this period, customers opened and funded more than 29,000 new accounts using the unique referral links that Moomoo Financial provided to its influencers.

Moomoo Financial's influencers' social media posts on behalf of the firm were retail communications of the firm and therefore subject to FINRA Rules 2210 and 2220. The link the firm provided to influencers directed people to a page on the firm's website where prospective customers could open and fund a Moomoo Financial brokerage account. The firm instructed influencers to include this link in their social media posts about the firm. The firm also provided its influencers with graphics to use in their social media posts, as well as talking points and "content briefs" that included suggestions on how to promote the firm's services and features. For instance, the content briefs suggested influencers post on topics like "[h]ow to pick IPOs" or "how to use options with [M]oomoo." The content briefs also touted that Moomoo Financial offered "zero commission trading" and that investments at the firm are "insured [because the firm] is a Member of SIPC."

Influencers created posts that promoted Moomoo Financial but were not fair and balanced or contained promissory language. For instance, in a video posted on a social media platform, a Moomoo Financial influencer stated, "If you use my moomoo link . . . to sign up to moomoo and start trading . . . you can make a ton of money." In another video promoting the firm, a Moomoo Financial influencer stated that he would show viewers "how to collect $500 every single month on average" and listed securities which he described as "borderline safe" investments.

Moomoo Financial's influencers also posted communications that claimed that the firm charged "zero commission" but did not disclose that other fees may apply or provide a prominent link to the firm's fee schedule.[4] Moomoo Financial's influencers also posted communications that contained false and misleading claims suggesting that because the firm was a FINRA member, customers' investments were safe. For example, in one video, an influencer stated, "Another great thing about Moomoo is they are secured by SEC and FINRA, so your money is protected. If anything were to happen with the service, you can get your money back." This statement falsely suggested that investors were guaranteed against losses. In the same video, the influencer also discussed trading in specific options but failed to include a warning that options are speculative and investing in options is not suitable for all investors. Finally, several Moomoo Financial influencers' social media communications failed to clearly identify the communications as paid advertisements.

Therefore, Moomoo Financial violated FINRA Rules 2210(d)(1), 2210(e), 2220(d)(2)(A), and 2010.

2. Moomoo Financial failed to review and approve all its influencers' posts about the firm and failed to preserve records of its influencers' posts.

FINRA Rule 2210(b)(1)(A) requires that an appropriately qualified registered principal of a member firm approve each retail communication before the earlier of its use or filing with FINRA's Advertising Regulation Department.[5] Similarly, FINRA Rule 2220(b)(1) requires that all retail communications issued by a member concerning options shall be approved in advance by a registered options principal. FINRA Rule 2220(c) requires all retail communications concerning options used prior to delivery of the applicable current options disclosure document or prospectus be submitted for approval to FINRA's Advertising Regulation Department at least ten calendar days prior to use.

In addition, the Exchange Act, its accompanying rules, and FINRA rules require firms to preserve certain records related to retail communications. Exchange Act §17(a) requires every registered broker-dealer to "keep for prescribed periods such records . . . as the

[4] In Regulatory Notice 13-23, FINRA reminded firms that claiming or implying that accounts are "free" or "no fee" would generally be inconsistent with FINRA Rule 2210.

[5] Rule 2210(b)(1)(D)(ii) excepts from this requirement retail communications posted in an online interactive electronic forum provided that the member supervises and reviews such communications in the same manner as required for supervising and reviewing correspondence pursuant to FINRA Rule 3110(b) and FINRA Rule 3110 Supplemental Material .06 through .09 (Rule 3110.06-Rule 3110.09)

Commission, by rule, prescribes." Exchange Act Rule 17a-4(b)(4) requires every registered broker-dealer to preserve for at least three years "all communications which are subject to rules of a self-regulatory organization of which the member, broker or dealer is a member regarding communications with the public." FINRA Rule 2210(b)(4)(A) requires that member firms maintain all retail communications for the period prescribed under the Exchange Act and maintain a record of, among other things: (i) the dates of first and last use of such communication; and (ii) the name of any registered principal who approved the communication and the date that approval was given. FINRA Rule 2220(b)(4) requires that member firms maintain copies of all options communications and maintain a record of, among other things, the names of the persons who approved the options communications. FINRA Rule 4511 requires member firms to "preserve books and records as required under the FINRA rules, the Exchange Act and the applicable Exchange Act rules."

A violation of the Exchange Act, Exchange Act Rules, and FINRA Rule 4511 also is a violation of FINRA Rule 2010.

From January 2020 through September 2022, Moomoo Financial did not have a registered principal approve all influencers' static posts made on behalf of the firm prior to use, nor did it review influencers' posts made on behalf of the firm in online interactive forums, as required by FINRA Rule 2210(b)(1)(D). The firm also did not have a registered options principal review and approve all influencers' communications concerning options on behalf of the firm prior to publication, nor did it submit such communications used prior to delivery of the options disclosure document or prospectus to FINRA's Advertising Regulation Department prior to use.

From January 2020 through November 2021, the firm also did not maintain a copy of influencers' posts promoting the firm or records of the dates of use. Additionally, even when the firm did review influencers' communications, the firm did not maintain records of that review, including the names of the individuals who reviewed and approved the posts and the dates of approval.

Therefore, Moomoo Financial violated Exchange Act Section 17(a), Exchange Act Rule 17a-4, and FINRA Rules 2210(b), 2220(b), 2220(c), 4511, and 2010.

3. Moomoo Financial failed to establish, maintain, and enforce a reasonably designed supervisory system, including WSPs, for its influencers' retail communications.

FINRA Rule 3110(a) requires each member firm to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. FINRA Rule 3110(b) requires each member firm to establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance

with applicable securities laws and regulations, and with applicable FINRA rules. A violation of FINRA Rule 3110 also is a violation of FINRA Rule 2010.

From January 2020 through the present, Moomoo Financial did not establish, maintain, and enforce a system, including WSPs, reasonably designed to supervise retail communications posted by influencers on the firm's behalf for compliance with FINRA Rules 2210(d)(1) or Rule 2220(d)(2). The firm's written procedures do not require a principal to review and approve influencers' static posts prior to their publication and do not require review and supervision of its influencers' posts made in online interactive electronic forums in the same manner as the firm reviewed and supervised correspondence, as required by FINRA Rules 2210(b)(1)(A) and (D). The firm's written procedures also do not require a registered options principal to review and approve influencers' posts concerning options prior to use, as required by FINRA Rule 2220(b)(1).

Also, from January 2020 until November 2021, the firm did not establish and maintain a supervisory system reasonably designed to preserve records related to the firm's influencers' communications, including copies of the communications, dates of use, or the name of any registered principal who approved the communication and the date of approval, where applicable, as required by Exchange Act Section 17(a), Exchange Act Rule 17a-4, and FINRA Rule 2210(b)(4), 2220(b)(4), and 4511. In November 2021, the firm implemented a system to preserve records of its review and approval of influencers' communications promoting the firm.

Therefore, Moomoo Financial violated FINRA Rules 3110 and 2010.

4. Moomoo Financial failed to provide initial and annual privacy notices to firm customers, as required by Reg S-P.

Regulation S-P Rule 4 (17 CFR § 248.4) requires that firms provide, at the beginning of a customer relationship, a clear and conspicuous notice to the customer that accurately reflects the firm's privacy policies and practices. Regulation S-P Rule 5 (17 CFR § 248.5) further requires that the firm provide that notice to customers on an annual basis for as long as the customer relationship continues, subject to exceptions that do not apply. A violation of Regulation S-P is also a violation of FINRA Rule 2010.

From January 2018 until December 2021, Moomoo Financial did not provide a copy of the firm's privacy policy to 456,156 customers at account opening. The firm also did not provide annual privacy notices to those customers during the same period.

Since December 2021, the firm has delivered its annual privacy notice to its customers.

By failing to provide initial and annual privacy notices to firm customers, Moomoo Financial violated Rules 4 and 5 of Regulation S-P, and FINRA Rule 2010.

B. Respondent also consents to the imposition of the following sanctions:

- a censure
- a $750,000 fine
- an undertaking that, within 180 days of the date of the notice of acceptance of this AWC, a member of Respondent's senior management who is a registered principal of the firm shall certify in writing that, as of the date of the certification, the firm has remediated the issues identified in this AWC and implemented a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with FINRA Rules 2210 and 2220 regarding the issues identified in this AWC. The certification shall include a narrative description and supporting exhibits sufficient to demonstrate Respondent's remediation and implementation. FINRA staff may request further evidence of Respondent's remediation and implementation, and Respondent agrees to provide such evidence. Respondent shall submit the certification to Alex Boudreau, Principal Counsel, 99 High Street, Suite 900, Boston, MA 02110, alexandra.boudreau@finra.org with a copy to EnforcementNotice@finra.org. Upon written request showing good cause, FINRA staff may extend this deadline.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

A. To have a complaint issued specifying the allegations against it;

B. To be notified of the complaint and have the opportunity to answer the allegations in writing;

C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made, and to have a written decision issued; and

D. To appeal any such decision to the National Adjudicatory Council (NAC) and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondent understands that:

A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;

B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and

C. If accepted:

1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;

2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;

3. FINRA may make a public announcement concerning this agreement and its subject matter in accordance with FINRA Rule 8313; and

4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing

in this provision affects Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.

D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this statement. This statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

November 13, 2024

Date

Vick Sharma

Moomoo Financial Inc.
Respondent

Print Name: Vick Sharma

Title: Chief Legal Officer

Accepted by FINRA:

Signed on behalf of the
Director of ODA, by delegated authority

November 26, 2024

Date

Alexandra Boudreau

Alex Boudreau
Principal Counsel
FINRA
Department of Enforcement
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