

# Don't take UMA queries lightly

Bursa Securities will take action against listed companies and directors if their responses are inaccurate/misleading



by Cheah Chor Sui

**LISTED** companies had better be careful when they respond to Bursa Malaysia Securities Bhd's unusual market activity (UMA) queries. The regulator will take action against them if it is not satisfied

with their replies.

In responding to UMA queries, the regulator stresses that listed companies must ensure compliance of the obligations under the listing requirements, particularly Paragraphs 9.11 and 9.16 of the listing requirements which require a listed company whose securities are subject to an UMA to immediately announce to Bursa Malaysia any material information not previously released to the market that may account for the UMA as well as ensuring that such announcement/disclosure made must be among others, accurate and not misleading.

"As such, when the listed company replies to the UMA query - and even if the reply is that 'the board is not aware of the cause of the share price movement' - the accuracy of the information is ensured through strict adherence of these disclosure obligations imposed on the listed company," Bursa Malaysia tells *FocusM*.

## Closely monitored

In this regard, all responses to an UMA - including "not aware" responses - are closely monitored by Bursa Malaysia as to whether there is any material corporate development thereafter. In instances where the regulator detects that the response given by the listed company is inaccurate/misleading (which is very rare), it will investigate and take enforcement action against the listed company and culpable directors.

"Where the reply to the UMA query is found to be inaccurate, misleading and/or promotional in nature, enforcement proceedings will be initiated against the said listed company and the directors who were involved in approving the response," asserts Bursa Malaysia.

A notable case is the February 2013 public reprimand of Can-One Bhd (seven directors of the company were also fined a total of RM350,000) for breaching Paragraph 9.16(1)(a) of the main Listing Requirements in respect to the company's announcement dated Jan 5, 2012 in response to an UMA query from Bursa Malaysia.

Coincidentally on that date, the Federal Court had communicated its decision to allow the appeal by the liquidator of Kian Joo Holdings Sdn Bhd (KJHSB) to proceed with the completion of the sale of 146.13 million shares held by KJHSB in Kian Joo Can Factory Bhd at RM1.65 per share for an aggregate consideration of RM241.12 mil to Can-One International Sdn Bhd, a wholly-owned subsidiary of Can-One.

However, when Bursa Malaysia issued its UMA query on the same day to Can-One to explain the surge in its price and traded volume, the company

claimed that it was unaware of any corporate development relating to its business nor any rumour or report that might account for the UMA.

However, Bursa Malaysia does not automatically issue an UMA query to a listed company upon detection of a sudden significant fluctuation/change in the price and/or volume of traded stocks.

It feels that it is not necessary to issue an UMA query every time there is a change in price or volume given the nature of a dynamic market. Prices rise and fall while trading volumes vary based on a wide range of factors.

"UMA refers to an event where there has been a significant change [be it upwards or downwards] in the price or trading volume or both of a particular security which cannot be explained by any corporate development in/of a listed company," justifies the regulator.

It says, most of the price and volume changes can be explained on the basis that the performance of a particular stock is consistent with the market sector or is based on a relevant corporate development or material announcement.

## Non-issuance of query

"In those cases where Bursa Malaysia is satisfied that there is an explanation for the trading activity, UMA query will not be issued [although the securities will remain under surveillance]," explains the regulator. Hence, the decision to issue an UMA query will only be made in instances where the share price movement and/or trading volume of a particular stock is significant and unusual/unexplained after assessing various factors.

"In this regard, the issuance of an UMA query is an operational one made by the surveillance unit of Bursa Malaysia



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based on clear internal guidelines and parameters which have undergone stringent approval process," the regulator further clarifies.

## Important disclosure tool

The guidelines include assessment of factors such as the corporate announcements made by the listed company preceding the UMA, market developments affecting the listed company, industry trends and market sentiment, among others.

For example, in a situation where a company announced procurement of a material contract and the share price and volume traded in the said company surges significantly, this fluctuation/increase in the price and volume - while significant - will not be considered as an UMA as there is an explanation for the fluctuation.

In retrospect, the UMA requirement has been in place in Bursa Malaysia's

Listing Requirements since the 1980s as part of the prescribed disclosure obligations imposed on listed companies. It serves as an important disclosure tool to appraise the market and to facilitate informed investment decisions by investors.

Very broadly, UMA queries and responses procured from the listed companies are intended to assist and facilitate informed investment/trading decisions by investors. They form part of the continuing disclosures of listed companies which supplement the listed companies' periodic disclosures to the market (ie financial statements).

## Obligations of PLCs

A listed company issued with an UMA query must make due enquiry with its directors, major shareholders and other relevant persons to assess and respond to questions raised "no later than one market day from the date of query unless otherwise approved by Bursa Malaysia". The questions are as set out to probe:

- ▶ Whether there is any corporate development relating to the group's business and affairs that has not been previously announced that may account for the UMA;
- ▶ Whether there is any rumour or report concerning the business and affairs of the group that may account for the UMA; and
- ▶ Whether the listed issuer is aware of any other possible explanation to account for the UMA.

The regulator contends that the response by a listed company to the UMA query is pertinent and of value towards aiding or facilitating informed investment decisions by investors even if the response is "not aware of any material development in the company that could account/contribute to the UMA".

"This is because such announcements show that there is no sound basis for the change in price or volume [indicating that increased level of trading activity may be purely speculative]," Bursa Malaysia points out. "This is important because the absence of any material information is brought to the attention of investors for the purpose of their trading decision in relation to that stock." *FocusM*

## UMA queries by Bursa Malaysia and responses from listed companies

Year	Number of UMA queries issued	UMA reply with corporate development/reiterate earlier announcement	'Unaware' UMA replies by companies
2014	51	25	26
2015	81	26	55
2016 (May 30)	39	9	30

Source: Bursa Malaysia

## Comparisons with other markets

Year		HKEX	SGX	Bursa
2014	Total UMA query	580	122	51
	Total listed issuers	1,735	770	906
	% of UMA query	33.43%	15.84%	5.63%
2015	Total UMA query	778	101	81
	Total listed issuers	1,842	771	902
	% of UMA query	42.24%	13.10%	8.98%
2016 (as at May 31)	Total UMA query	53	77	39
	Total listed issuers	1,894	768	905
	% of UMA query	2.8%	10.03%	4.31%

### Note:

1. The information pertaining to UMA issued by the Hong Kong Exchanges and Clearing Ltd (HKEX) and Singapore Exchange Ltd (SGX) is based on assessment/review of UMA announcements made by listed companies on these jurisdictions' websites.
2. The number of UMA queries could be influenced by the size and/or trading activities in the market.
3. UMA queries issued in HKEX (Query on unusual price/trading volume movement) and SGX (Query on trading activity) bear similarities with that of Bursa Malaysia.