## B. Cases on Market Abuses/ Manipulative activities where Enforcement Actions were Taken Against DRs

**Case B1: NCBO Trades/Fictitious trades**

Several DRs engaged in misconducts involving NCBO Trades and price manipulation activities, e.g.:-

(a)conducted NCBO Trades (buy and sell orders entered for the same client) in the clients' accounts which had impacted the price movement of the securities;

(b)entered buy order for a small quantity of the shares at the lowest price the shares could trade and thereafter entered a sell order for another client for similar quantity and price. These buy and sell orders entered by the DR for these two clients were matched against each other. The trade done in the accounts of these clients had resulted in substantial price movement for the share price; and/or

(c)in the dealing in securities for the accounts of two clients who are related to the DR, the DR executed nominal quantity of sell and buy orders in these clients' accounts for the shares. This had the effect of pushing up the prices of the shares (and it was further noted that this was done to push up the share price for margin valuation and to prevent margin call).

Enforcement actions were taken against the 2 DRs involved in these trading misconduct, including suspensions (a 1 month suspension deferred for 1 year) and fines of RM5,000 each. In these cases, the DRs had engaged in price manipulation involving an illiquid counter (in 1-2 instances) and the trades had the impact of pushing up the share prices to a level intended by their clients/resulted in movement for the share prices and created misleading appearance for the market/activities for the securities.

As for the other 2 DRs who were involved in NCBO trades, one was imposed a private reprimand (as the 1 instance of NCBO trade did not have a material impact on the price) whereas the other DR was imposed a private reprimand and a 2 weeks' deferred suspension for 1 year (as the 1 instance of NCBO trade caused a depression of the market for the said shares).

**Case B2: NCBO Trades/On-market Matched Trades akin to NCBO Trades**

**In 2010:-**

❖ A DR was publicly reprimanded, fined RM10,000 and ordered to be struck off from the Register had he still been a Registered Person of Bursa Securities for carrying out trades with no change in the beneficial ownership (NCBO Trades).

NCBO Trades are prohibited under the Rules as these trades might lead to a false or misleading appearance of active trading in or with respect to the market for or price of any securities on the stock market of Bursa, or directly/indirectly be tantamount to stock market manipulations (False Trading and Market Manipulations).

In relation to this, the DR had entered corresponding orders without first ensuring that his earlier buy or sell orders (some of which were entered simultaneously/within seconds of each other for both sides of the orders) were completely executed against the orders of the others in the market prior to him entering the subsequent orders. In addition, it was further noted that the subsequent corresponding orders entered by the DR were at the same price as his earlier orders for the transactions involving the NCBO Trades. In this regard, the majority of the NCBO Trades had their buy and sell orders entered at the same price by the DR and resulted in these orders being matched against each other, resulting in the same account holder becoming both the buyer and seller.

In executing orders in such a manner, the DR failed to exercise due care and diligence by not monitoring the earlier orders entered by him for the buy and the subsequent sell orders (and *vice-versa*) resulting in these orders being matched against each other.

In addition, despite Bursa Securities having raised its concern and instructed the DR to refrain from engaging in the NCBO Trades, there were further NCBO Trades done by the DR.

*More information on this case can be found in the Media Release dated 21 April 2010.*

**In 2012:-**

❖ One DR was imposed a public reprimand, fine of RM10,000, 3 months suspension from dealing activities and required to undergo educational programme for engaging in NCBO Trades involving the securities of two counters in his clients' accounts.

It was noted that:

(a) in all the NCBO Trades undertaken for the two counters, the DR had first entered sell orders in his clients' accounts. Within a short span of time (the majority of which were less than a minute), he had entered the corresponding buy orders for the same clients' accounts to buy from the sell orders entered by him earlier, resulting in the matching of his buy and sell orders;

(b) the DR had executed the NCBO Trades to rollover the trades to the next trading cycle to prolong the holding period. In some instances, he had executed NCBO trades to rollover all overdue trades to the next trading cycle, which were repeatedly done in the clients' accounts for several months; and

(c) although the NCBO Trades undertaken were not significant vis-a-vis the overall market impact and/or price impact, the DR's actions in executing these NCBO Trades had the effect of maintaining or raising the prevailing market price of the two counters. His actions gave rise to the false or misleading appearance of the securities, and did not reflect the fair and orderly dealing activities which are expected of a responsible Registered Person.

*Information on this case can be found in the Media Release dated 11 June 2012.*

❖ Another DR was imposed a public reprimand, fine of RM10,000, 3 months suspension from dealing activities and required to undergo educational programme for engaging in false trading activities involving one counter in two of his clients' accounts.

It was noted that:-

(a) The DR had executed orders in two clients' accounts for the said securities which resulted in NCBO Trades and also matched trades between these two clients who were related to each other (On-Market Matched Trades akin to NCBO Trades).

(b) The trades were executed in the following manner:-

(i) **NCBO Trades:**

The DR had entered buy or sell orders of large quantities followed by the opposing orders for the other side of the order book for the same clients' accounts at the same price and quantity resulting in the matching of these buy and sell orders against each other.

(ii) **On-Market Matched Trades akin to NCBO Trades:**

The DR had also entered several large buy orders in one client's account and sell orders in another client's account, which were entered at the same price resulting in large quantities of the opposing sell and buy orders being matched against each other.

(c) By entering orders at one side of the order book followed by the opposing orders, both for large quantities and at the same price, the DR knew or ought to have known that these orders entered for his clients' accounts could potentially be matched against each other at the opposite side of the order book. As such, he ought to have monitored the orders and the trades executed to ensure that there were no NCBO Trades or On-Market Matched Trades akin to NCBO Trades being executed. Such execution of opposing sell and buy orders in the same clients' accounts or the accounts of the related person could give rise to false or misleading appearance with respect to the active trading in the securities concerned, market for and/or the price of such securities and is a violation of the Rules.

In addition, the DR ought to have been more diligent in executing and/or monitoring the orders entered to ensure that one client's buy orders would not be matched with the other client's sell orders as these two clients were related and the instructions to trade were submitted to him by one client for/on behalf of the two accounts.

*Information on this case can be found in the Media Release dated 24 September 2012.*

**Case B3: Manipulative trading activities - (Fictitious buy orders/cross trades/NCBO Trades)**

A former DR was publicly reprimanded, fined RM100,000 and ordered to be struck off from the Register had he still been a Registered Person of Bursa Securities for false trading and market manipulation.

The DR had carried out false trading and market manipulation in his dealing activities in the shares of a counter. The DR entered buy and sell orders which were manipulative in nature and which had led to false or misleading appearance of active trading in/market for the shares concerned and tantamount to stock market manipulations (False Trading and Market Manipulations). The False Trading and Market Manipulations by the DR which were carried out via his clients' accounts had, amongst others, the following characteristics:-

(a) The DR entered orders which were several bids lower than the last done price with no real intention to have the buy orders matched.

(b) The DR also engaged in order splitting, entering a series of buy orders in succession through any one of his clients' accounts with the same price. These buy orders gave rise to and created an impression of continuous demand for the shares which led to false or misleading appearance of active demand/market for the shares.

(c) There were cross trades among his clients' accounts and resulted in NCBO trades. The trades of the clients were rolled-over periodically giving rise to manipulative trading activities and there were instances where the trades were subsequently amended to other clients' accounts resulting in a change of the original party to the contract which are non-permissible contract amendments.

The DR failed to:-

- exercise/act with due care and diligence so as not be a party to any possible irregular trading activities of the shares and to avoid becoming a party to, or getting involved in, the False Trading and Market Manipulations operated or engaged by others; and

- undertake due inquiries, raise concerns and refrain himself from engaging or participating in the clients' irregular trading patterns which were also manipulative in nature, lack due regard to market orderliness and gave a false and misleading appearance of active trading/market for the shares.

*More information on this case can be found in the Media Release dated 8 July 2010.*

**Case B4: Marking the close**

A DR was publicly reprimanded, imposed a 3 months suspension from dealing activities and fined RM20,000 for carrying out 'marking the close' trades for a client in respect of the shares of a few counters resulting in artificial increase of the closing prices of these counters.

In this case, the DR had executed numerous instances of 'marking the close' trades for a client whereof these 'marking the close' trades had artificially increased the closing prices of these counters. The trading activities of the DR revealed that all the purchases for some of these counters were executed by the DR and matched towards the last 5 minutes prior to the close of the market. As for the purchases for a counter, part of the overall purchases were executed and matched towards the last 5 minutes.

The DR had failed to consider the circumstances leading to the execution of the trades for the clients and to make due inquiry on the clients' transactions particularly as the instructions from the client to buy at the price higher than the best executed price and on a continuing basis on many occasions were unusual for a rational investor.

*More information on this case can be found in the Media Release dated 10 April 2009.*

**Case B5: Intra-day short selling**

**In 2011:-**

One DR was imposed a fine of RM2,000 and required to undergo educational programme for she had on several trading days engaged in intra-day short selling involving several counters i.e. she sold shares that the client's account did not own. The sanctions were imposed after having considered, amongst others, the DR's lack of experience and that all the short-selling incidences were due to her mistakes or carelessness. Also, except for one instance where a small profit was made, there were losses incurred as a result of the short selling.

**In 2012:-**

❖ Three DRs were imposed the following sanctions for engaging in intra-day short selling (i.e. they sold shares that the client's account did not own):-

(a) DR A – private reprimand, fine of RM5,000, 2 weeks suspension from dealing activities and required to undergo educational programme;

(b) DR B - public reprimand, fine of RM15,000, 1 month suspension from dealing activities and required to undergo educational programme; and

(c) DR C - public reprimand, fine of RM10,500, 3 weeks suspension from dealing activities and required to undergo educational programme.

The sanctions were imposed after having considered, amongst others, the following:-

(i) in respect of DR A:-

- the short selling occurred on several days in respect of several counters;
- notwithstanding the representation that the short selling incidences were due to mistakes, this did not absolve DR A from the breach particularly as DR A should have been more diligent in executing client's orders and performed his duties efficiently to avoid the mistakes which resulted in the short selling. In any event, if the intra-day short selling were due to errors/mistakes as claimed, the trades should have been transferred/amended to the Error Account; and
- except for one instance where a small profit was made, there were losses incurred as a result of the short selling;

(ii) in respect of DR B:-

- the short selling occurred on numerous occasions over a period of two months in respect of numerous counters;
- arising from the intra-day short selling activities, profits were made in the client's account; and

- DR B's allegation/representation that he had acted as a mere order-taker did not absolve him from the breach particularly as he had failed to refrain from unlawful practices, exercise due care and diligence when executing the client's orders and perform his duties efficiently as required under the Rules; and

(iii) in respect of DR C:-

- there were numerous instances of short selling in a client's account involving several counters;
- arising from the intra-day short selling activities, there were gains made in his client's account; and
- the DR admitted that he carried out such activities to generate some commission.

**In 2013:-**

❖ Two DRs (i.e. DR D and DR E) were imposed a public reprimand, fine of RM50,000, 6 months suspension from dealing activities and required to undergo educational programme for intra-day short selling upon considering, amongst others, the following:-

(a) the short selling occurred on several days involving numerous counters; and

(b) arising from these intraday short selling activities, there were gains made in the clients' accounts.

*Information on the case against DR B, DR C, DR D and DR E can be found in the Media Releases dated 25 May 2012, 25 October 2012, 15 November 2013 and 23 December 2013 respectively.*

**Case B6: Market manipulation – (cross trading, NCBO Trades & marking the close trades)**

One DR was imposed a public reprimand, fine of RM100,000 and ordered to be struck off from the Register for engaging in manipulative trading activities in a counter.

The DR had over a period of several months (the Relevant Period):-

(a) executed cross trading/cross trades i.e. execution of orders through several accounts of a few clients which had the orders being matched against each other (Cross Trades);

(b) executed numerous NCBO Trades i.e. trades which did not involve any change in the beneficial ownership;

(c) executed marking the close trades i.e. entry of orders at or near the close of the market at prices higher than the prevailing market price which had impacted the closing price on several trading days; and

(d) deliberately entered buy orders in his clients' accounts at a price higher than the previous traded price resulting in the counter closed higher than the last done price, with an increase in the closing price ranged from 0.91% to 56%.

The above dealing activities by the DR had:-

(i) impacted the share price of the counter which was noted to have been maintained at certain range and the volume of trades had increased significantly. This led to false/misleading appearance of active trading in or the market for or the price of the securities concerned (False Trading);

(ii) resulted in the increase in the trading volume and the closing price of the said counter during the Relevant Period which was artificially inflated/influenced; and

(iii) dominated the trading activities of the counter during the Relevant Period with more than 70% of the trades involving Cross Trades amongst his clients' accounts. On certain dates, his dealing activities in the said securities accounted for over 90% of the total trades done for the day.

Instead of refraining from engaging and participating in the irregular trading patterns which were also manipulative in nature, the DR had actively participated/engaged in the trading activities in the counter throughout the Relevant Period.

*Information on this case can be found in the Media Release dated 18 October 2011.*

**Case B7: Market manipulation – (order stacking, false trading, frequent order withdrawals, layering of orders)**

One DR was imposed a public reprimand, fine of RM150,000 and a suspension of 18 months as a DR/PDT for engaging in irregular/manipulative dealing activities in 3 counters. It was noted that:-

(a) In respect of the DR's dealing activities in the 1st Counter on a particular day, the DR had entered false buy orders during the pre-opening phase which were subsequently withdrawn before the market opened for trading and these buy orders had influenced the Theoretical Opening Price (TOP) of the 1st Counter's shares on the day concerned.

(b) The DR's dealing activities in the shares of the 2nd and 3rd Counters over a few trading days involved spurts of false buy or sell orders created by the DR which were subsequently withdrawn. During these spurts of trading activities, the DR had also engaged in the "layering of orders" where she placed orders or a series of buy/sell orders at various price levels which were withdrawn when her sell/buy orders were matched. The DR's dealing activities in the shares of the 2nd and 3rd Counters led to a false impression of heightened interest in the trading of the stocks concerned during the relevant periods.

The manner in which the DR had conducted the trading of the 3 Counters did not reflect a fair and orderly dealing and did not contribute to the maintenance of a fair and orderly market.

*Information on this case can be found in the Media Release dated 1 December 2011.*

**Case B8: Market manipulation and abuse of client's account – (bidding up activities, marking the close, unauthorised trades)**

One DR was imposed a public reprimand, fine of RM50,000 and ordered to be struck off from the Register for engaging in unethical/false trading activities in one counter. The DR had:-

(a) actively entered a series of buy orders in the said securities' listed issuer's Share Buy Back account (SBB) at steadily rising prices, resulting in the upward movement of the price of the said shares (Bidding up) for over a year;

(b) entered a series of buy orders in close proximity of the sale orders he created earlier (in some cases, within 30 seconds apart of one another) for the margin accounts of his other clients, in order to match the transactions;

(c) engaged in marking the close activities of the shares, which influenced/determined the closing price of the said securities (Marking the Close). There were several occasions before the market closed/in the afternoon trading session when the DR had entered buy orders to match the seller's price, which had the effect of maintaining or raising the last done price and influencing the closing price; and

(d) executed orders in the clients' accounts without proper authority/written authorisation from his clients.

By entering the sale orders for his margin clients' accounts at prices higher than the last done price followed by the entry of buy orders for the SBB account to buy from his margin clients at increasing bid, the DR had not acted in the best interest of the SBB account as the share buybacks were done at prices determined by him, which were to the disadvantage of the SBB account.

*Information on this case can be found in the Media Release dated 19 January 2012.*

**Case B9: Manipulative trading activities – (order entries and withdrawals during pre-opening phase) and misuse of client's account**

Two DRs were imposed the following sanctions for engaging in manipulative dealing activities:-

(a) DR X - public reprimand, fine of RM50,000, 6 months suspension from dealing activities and required to undergo educational programme; and

(b) DR Y - public reprimand, fine of RM5,000, 1 month suspension from dealing activities and required to undergo educational programme.

The sanctions were imposed after having considered, amongst others, the following:-

(a) DR X had:-

(i) in his dealing activities in one counter during the pre-opening phase on one day, used a client's account to key-in a large buy order at the limit-up price and within a short span of time deleted the said buy order without the client's knowledge or instruction;

(ii) keyed-in buy and/or sell orders in several other counters during the pre-opening phase and subsequently deleted these orders before the commencement of trading; and

(iii) entered numerous sell orders involving a significant number of shares during the pre-opening phase in the client's account, without the client having the requisite tradeable balance for the selling of the securities.

The characteristics including timing of the order entries which were followed with withdrawals/deletions of the orders thereafter as set out above indicated that these orders were not intended to be traded in the first place. The false trading activities had impacted the Theoretical Opening Price (TOP) and/or volume of the order books for the relevant securities, giving rise to a false or misleading appearance of active trading in/the market for/price of the securities concerned.

(b) In respect of DR Y:-

(i) she had on one trading day created several large buy orders in a client's account for one counter at a price which was substantially above the prevailing TOP during the pre-opening phase. Within a few seconds and before the commencement of trading, these orders were deleted. This indicated that these orders were not intended to be traded;

(ii) these dealing activities had impacted the TOP and/or volume of the order books for the said counter, giving rise to a false or misleading appearance of the market for or the price of the securities of the said counter; and

(iii) whilst DR Y represented that she was merely carrying out her client's instructions, it was noted that she had failed to undertake reasonable inquiry and/or advise her client before keying-in these buy orders. Only after keying-in the buy orders did DR Y advise her client, who instructed her to cancel the buy orders.

*Information on these cases can be found in the Media Release dated 25 May 2012.*

**Case B10: Market manipulation – (churning, rollover and/or cross trades)**

**In 2012:-**

❖ Two DRs were imposed the following sanctions for engaging in manipulative dealing activities in the securities of one counter over a period of several months in numerous clients' accounts:-

(1) DR A - public reprimand, fine of RM100,000 and ordered to be struck off from the Register; and

(2) DR B – public reprimand, fine of RM20,000, 12 months suspension from dealing activities and required to undergo educational programme.

It was noted that:-

(a) The majority of the clients were related to the two DRs. All trades in the clients' accounts were controlled and dictated by DR A as they had given her the authority and discretion to trade in their accounts. DR B assisted DR A in the execution of trades in these clients' accounts upon instructions received from DR A.

(b) During the relevant period, both the DRs had actively engaged in activities of:-

(i) entering buy and sell orders in the clients' accounts giving rise to these clients being both the buyers and sellers in numerous transactions resulting in their opposing buy and sell orders being matched against each other (Cross Trading/Cross Trades); and

(ii) rolling over the trades in the clients' accounts which were carried out rotationally and almost on a daily basis (Churning/Rollover Activities).

(c) The characteristics of the entry of the buy and sell orders undertaken including the close proximity of time of these orders indicated a deliberate attempt to match the trades of these clients against each other and for the trades to be rolled-over on/prior to due date of settlement (Settlement Date) for the purchases so that the clients avoided paying for the purchases in their accounts on the Settlement Date and thus, avoided force selling and margin calls.

(d) The Cross Trades and Rollover Activities undertaken in the clients' accounts had artificially inflated the volume traded for the counter and created a false or misleading appearance of active trading in and/or market for the counter during the relevant period.

In imposing the sanctions on the two DRs, the severity of breach committed by each of them was assessed taking into account the differing roles played by them (i.e. primary and secondary roles of DR A and DR B respectively) in the manipulative trading activities. Notwithstanding DR B merely assisted DR A who had control and dictated the manipulative trading activities in her clients' accounts, DR B was expected to exercise reasonable due care and diligence and should undertake proper assessment of the instructions and the execution of the orders to ensure compliance of the relevant rules.

*Information on this case can be found in the Media Release dated 30 October 2012.*

## In 2013:-

❖ One DR was imposed a public reprimand, fine of RM50,000, 12 months suspension from dealing activities and required to undergo educational programme, for engaging in the following manipulative dealing activities in the securities of one counter (said Counter) (Manipulative Dealing Activities) in the accounts of clients who are related to him:-

(a) the entry of buy and sell orders in his clients' accounts giving rise to these clients being both the buyers and sellers in numerous transactions for the shares of the said Counter resulting in their opposing buy and sell orders being matched against each other (Cross Trades/Cross Trading);

(b) rolling over the trades in his clients' accounts to the next trading cycle on/prior to the due date of settlement (Settlement Date) without his clients having to pay for the purchases in their accounts on the Settlement Date (Rollover activities); and

(c) the entry of a series of buy orders at successively rising prices which were higher than the last done price (Bidding up activities) which caused the upward price movement/maintained the share price of the said Counter.

These Manipulative Dealing Activities by the DR, which were undertaken without due regard of the impact of his trading activities on market orderliness, had created a false or misleading appearance of active trading in and market for or the price of the shares of the said Counter during the relevant period.

It is not acceptable for a Registered Person to execute trades on clients' instructions or otherwise without making any proper assessment of the orders and exercising reasonable due care and diligence so as to avoid manipulative trading activities.

*Information on this case can be found in the Media Release dated [23 December 2013](23 December 2013).*

## In 2014:-

❖ A DR was publicly reprimanded, fined RM360,000 and ordered to be struck off the Register for he had engaged in dealing activities in the securities of 6 counters (the 6 Counters) over a period of time in several clients' accounts (involving clients who were his family members) (Manipulative Trading Activities) which had the following manipulative characteristics:-

(a) The rollover of his clients' on-market purchases in the shares of 2 counters on/before the due date for settlement by passing on these on-market trades to other clients via numerous married Direct Business Transactions (DBTs), which were executed at prices higher than the prevailing market price. These numerous instances of married DBTs were preceded/followed by on-market trades which included cross/co-ordinated trading between the DR's group of clients with the on-market cross trades being in the reversals of orders of the married DBTs executed for the clients.

(b) The on-market trading activities undertaken by the DR over a period of several months in the 6 Counters with the execution of opposing buy/sell orders for a group of his clients resulting in their opposing orders being matched against each other. These cross trades showed patterns or characteristics of co-ordinated trades (i.e., the proximity in the timing of the orders/opposing orders as well as the significant number/incidences of these trades matching between the clients) (Cross Trades/Cross Trading activities).

Through these trading activities, it had allowed the DR/his clients to prolong the holding period of these shares whilst the DR continued to carry out manipulative trading activities for his clients such as purchases at incremental price during late trading hour by taking up sellers and driving up the price which had impacted/influenced the price movement of, and contributed towards artificial inflated/increased volume for, these counters. These Cross Trades between the DR's clients at the dictated increased or decreased share prices had also impacted/influenced the price movement/trading volume of the 6 Counters. These trading activities were manipulative as they had the effect of creating a false/misleading appearance of active trading in, the market for and/or the price of, the securities of the 6 Counters (False/Misleading Appearance of the securities) as these trades were not due to natural market forces of supply and demand.

As a Registered Person, it was not acceptable for the DR to merely execute orders as instructed by his clients without making proper assessment of the orders and exercising reasonable due care and diligence in undertaking dealing activities for his clients so as to avoid manipulative/false dealing activities.

The imposition of the sanctions including the fines and striking off on the DR had taken into account the benefits derived (i.e. commission earned by him in undertaking the manipulative/fictitious trading activities), his conduct (where he continued to undertake these trades despite being queried by Bursa Malaysia Securities) and the severity of the trades which impacted the price direction of the relevant counters and created artificial trading activities that had affected market integrity/orderliness.

*Information on this case can be found in the Media Release dated 11 August 2014.*

**B11: False trading activities – (Matched trades/pre-arranged trades involving SBB account)**

One DR was imposed a public reprimand, fine of RM30,000, 6 months suspension from dealing activities and required to undergo educational programme for engaging in false trading activities involving one counter in his two clients' accounts over a period of several trading days.

It was noted that:-

(a) The DR had undertaken dealing activities in such a manner which resulted in the buy orders entered for the share buyback account of the said securities' listed issuer (SBB account) being matched against the sell orders of another client (Selling Client). These dealing activities resulted in over 90% of the shares bought by SBB account being matched to the Selling Client's account.

(b) The DR had undertaken his dealing activities for these 2 clients in the following manner:-

(i) entered sell orders for the Selling Client followed by the buy orders for the SBB account at the same price or half a sen higher than the sell order price in order to take up the sell orders; or

(ii) entered buy orders for the SBB account followed by the sell orders for the Selling Client at the same price as the buy order price or half a sen lower,

and most of these opposing buy/sell orders were entered within close proximity of time resulting in the matching of these orders with each other.

(c) The characteristics in which the DR undertook his dealing activities for the 2 clients including the manner and proximity of the dealings/trades, the fact that the company only engaged in purchases of the shares pursuant to its share buyback exercise when the Selling Client disposed of his shares and evidence of connection/relationship between the Selling Client and the person authorised to operate or give instruction for the SBB account indicated that the trades were pre-arranged and/or executed in such a manner so that they would be matched against each other.

*Information on this case can be found in the Media Release dated 17 December 2012.*

**Case B12: Manipulative trading activities – (churning activities, marking the close, bidding up activities)**

A DR was publicly reprimanded, fined RM150,000 and ordered to be struck off the Register for he had engaged in the following manipulative dealing activities in the securities of one counter (the said Counter) over a period of several months in numerous clients' accounts including his parents' accounts (Manipulative Trading Activities):-

(a) the aggressive or active buying and selling activities with domination of trades for both sides of the order book (Churning Activities) which created a false or misleading appearance of active trading in, market for and/or the price of the shares of the said Counter (Trade Domination);

(b) the entry of buy and sell orders in his clients' accounts giving rise to these clients being both the buyers and sellers in numerous transactions for the said shares resulting in their opposing buy and sell orders being matched against each other (Cross Trades/Cross Trading);

(c) the entry of a series of buy orders at successively rising prices which were higher than the last done price including the entry of small quantity buy orders to take the seller at seller's price which was higher than the last done price (Bidding Up/Increasing Bids Activities);

(d) the entry of buy orders to take the sellers, including his sell orders for other clients which were entered towards the close of the trading session/before market closed, which gave rise to the increase or maintenance of the closing price of the shares (Marking The Close Trades); and

(e) during the pre-opening phase on a trading day, the DR had entered a series of large buy orders at a price substantially lower than the previous day closing within a short time interval which caused a depression of the said Counter's share price. Subsequently, when the market opened, the DR entered a large sell order in another client's account at similar price, giving rise to the matching of the orders with a substantial decrease in price as compared to the previous day closing price (Depression/Suppression of Share Price).

These Manipulative Trading Activities which were undertaken by the DR without due regard of the manipulative characteristics of the trades and/or impact of the trading activities on market orderliness, had created a false or misleading appearance of active trading in and market for the shares of the said Counter and impacted the said Counter's share price with:-

(i) the upward price movement of the shares during the relevant period; and

(ii) a substantial decrease of the share price from its previous day closing on a trading day.

*Information on this case can be found in the Media Release dated 19 July 2013.*

**Case B13: Manipulative trading activities – (bidding down and up activities, front-running and cross trading activities)**

In 2014, a DR was publicly reprimanded, fined RM100,000 and ordered to be struck off the Register for he had engaged in the following manipulative dealing activities in the securities of one counter (the said Counter) over a period of time in several clients' accounts (including his spouse's account) (Manipulative Trading Activities):-

(a) The DR had influenced the said Counter's share price by pushing the price down during the period of fixing the price of the placement shares pursuant to a private placement exercise undertaken by the said Counter through his entries of sell orders in small quantities using his spouse's account to trade lower than the last done/prevailing market price (Bidding Down activities) causing the said Counter's share price to decrease. This had allowed the issue price of the placement shares of the said Counter (Placement Shares) which were allotted to two of the DR's clients (Placee Clients) to be fixed at a lower price compared to the price if no Bidding Down activities were undertaken by the DR.

(b) The DR had engaged in dealing activities in pushing up the said Counter's share price including the entry of buy orders in small quantities at prices higher than the last done price (Bidding Up activities) which resulted in the upwards price movement of the said Counter's shares, thus facilitating the disposal of the Placement Shares by his Placee Clients.

(c) The DR had also engaged in front-running activities (Front-Running Activities) with preference of orders for some clients which involved the execution of sell orders for his spouse and another client ahead of the sell orders executed by him for a Placee Client. These sell orders by the DR for his spouse and another client were done/completed within a few seconds ahead of the execution of one of the Placee Client's sell orders.

(d) The DR had engaged in a scheme/device of manipulative/false trading activities to facilitate the disposal of the Placement Shares of the Placee Clients including but not limited to the manipulative coordinated/cross trading activities with entries of opposing sell/buy orders by the DR and third parties (Cross Trades/Cross Trading), which were mainly undertaken during the early hour of trading on some trading days when the disposal of Placement Shares were carried out by the DR. The trading activities by the DR included rapid entries of opposing sell/buy orders by the DR and third parties in close proximity of time, at the same price or at the price close to each other and for quantities that were taken up by each other's orders which indicated that these trades were pre-arranged on-market trades/Cross Trading activities instead of having their trades done according to natural market forces of supply and demand.

These trading activities had:-

(i) given rise to false/misleading appearance of active trading in/market for the said Counter's shares and generated investing public's interest to also enter the market to trade in the said Counter's shares; and

(ii) facilitated the disposal of the Placement Shares by the DR resulting in significant profits made by the Placee Clients.

These Manipulative Dealing Activities of the said Counter's shares by the DR without due regard to his overriding/ultimate responsibility as a Registered Person to ensure a fair and orderly market and his acting to the detriment to his client to the advantage of other clients including his spouse, indicated that he was not fit and proper to be a Registered Person.

*Information on this case can be found in the Media Release dated 16 April 2014.*

**Case B14: Unethical/unlawful activities – (front-running activities, pre-arranged/coordinated trades, abuses of clients' trade information and unauthorised trades)**

In 2014, two DRs (DR A and DR B) were publicly reprimanded, fined RM50,000 and RM55,000 each and ordered to be struck off the Register for engaging in the following unethical/unlawful activities and misconducts:-

(a) DR A had, whilst undertaking dealing activities for his PO's institutional clients:-

(i) inappropriately made use of trade information of certain institutional clients of the PO (Trade Information) for his own benefit giving rise to profitable trades for several counters (Front-running activities) which were undertaken in an individual/third party (Third Party)'s account with trade instructions from DR A to DR B (Improper Use of Clients' Trade Information). As such, he had engaged in unethical/unlawful trading activities using the Third Party's account to undertake Front-running activities; and

(ii) traded in a coordinated manner that some of DR A's buy/sell for the PO's institutional clients were matched to the opposing sell/buy undertaken in the Third Party's account handled by DR B that gave rise to pre-arranged/cross trades (Pre-arranged/Cross Trades) between the PO's institutional clients' accounts and the Third Party's account,

and by engaging in the aforesaid trading misconducts/unethical activities, DR A had failed to act in the best interest of the PO's institutional clients and gained an unfair advantage by making use of the PO's institutional clients' Trade Information to trade through the Third Party's account operated by him resulting in ill-gotten gains/profits made in the Third Party's account.

(b) DR B had:-

(i) failed to refrain from/engaged in/facilitated the Front-running activities undertaken by DR A for he had allowed himself to be a conduit for DR A to unlawfully operate DR B's client's (i.e. the Third Party) account, thus enabled the Front-running activities/Pre-arranged Trades to be undertaken in the Third Party's account. In this regard, he had failed to be alerted of the red flags of consistent profitable trades with intraday buy and sell in his client/Third Party's account with trade instructions given to him by DR A whom he knew/should have known to be a DR of another broker and the possible abuses of clients' trade information by DR A by having trades executed through the Third Party's account;

(ii) taken trade instructions from DR A who did not have written authorization from the Third Party to trade on the Third Party's behalf and by doing so, DR B had allowed his client's account to be used by DR A to undertake trading activities giving rise to Front-running activities by DR A in the Third Party's account; and

(iii) failed to exercise due care and diligence in handling his client's account so as to avert the misuse of the client's account which resulted in market abuses with Front-running activities and Pre-arranged Trades being undertaken in his client's account by DR A.

*Information on this case can be found in the Media Release dated 5 June 2014.*

**Case B15: Manipulative trading activities – (marking the close, driving up the price and rollover activities)**

In 2014, a DR was publicly reprimanded, fined RM500,000 and ordered to be struck off the Register for he had engaged in the following manipulative dealing activities in the securities of 3 counters (the 3 Counters/Counters X, Y and Z) over a period of time in several clients' accounts (Manipulative Trading Activities):-

(a) In regard to Counter X:-

(i) on a trading day, he had entered a series of sell orders for Counter X's shares towards the close of market at successively lower prices in a client's account which caused the share price to drop and close sharply lower (Marking the Close Down) and this had enabled the client to buy the shares at a lower price on the following day;

(ii) on another trading day, entered a series of buy orders for Counter X's shares during late trading and towards the close of market at successively higher prices in another client's account which caused a substantial increase in the share price and close higher (Marking the Close Up);

(iii) on at least 2 trading days, engaged in driving up the price activities (Driving Up the Price activities) during the continuous trading hours (intraday) which caused/influenced the share price to rise/increase and facilitated the selling of Counter X's shares at higher price for a client who had earlier bought the shares at lower price; and

(iv) undertaken rollover activities in the accounts of a group of his clients on or prior to the due date for settlement which were repeatedly done (Rollover activities) and gave rise to appearance of active trading of Counter X's shares.

(b) In regard to Counters Y and Z, the DR had undertaken numerous Rollover activities by having the clients' purchase positions rolled over by the due date for settlement and having another set of clients buying the shares which had given rise to appearance of active trading in the market for the counters concerned.

(c) The Rollover activities by the DR in the 3 Counters which constituted churning activities with active buying and selling including entries of series of successive buy/sell orders in smaller quantity at the same price in the clients' accounts (order splitting) had given rise to an appearance of inflated demand and supply/rapidly increased trading of the shares. These activities also had the effect of prolonging the holding period/retaining the holding of these shares among the DR's clients (by him alternating the trades i.e., the buying and selling between one account and another).

(d) The DR's series of successive buying/selling activities in multiple clients' accounts in the Rollover activities which were repeatedly done over a period of time indicated his deliberate acts without due regard to the orderliness of dealing activities/market integrity and without ensuring fair dealing of the 3 Counters. His Rollover activities had resulted in the creation of False/Misleading Appearance of active trading in/market for the 3 Counters and affected the relevant share price movements/caused the share price to move upwards and thus dictated the direction of the price.

In imposing the sanctions on the DR including the fine and the striking off order, Bursa Securities had taken into account the extent and impact of his Manipulative Trading Activities, the significant commission earned by him and his conduct including his continuation of his trading activities in the 3 Counters despite Bursa Securities issuing him a concern letter on his Manipulative Trading Activities.

*Information on this case can be found in the Media Release dated 7 August 2014.*

**Case B16: Manipulative trading activities – (placing artificial buy orders, frequent order withdrawals, coordinated/cross trading activities/bidding up activities)**

In 2014, four DRs (DRs A, B, C and D) were imposed the following sanctions for engaging in manipulative/false dealing activities in the securities of one counter (the said Counter):-

(1) DR A - public reprimand, fine of RM150,000, 18 months suspension;

(2) DR B – public reprimand, fine of RM20,000, 3 months suspension;

(3) DR C - public reprimand, fine of RM110,000, 12 months suspension; and

(4) DR D - public reprimand, fine of RM90,000, 12 months suspension.

They were further required to undergo training on conduct or professionalism of DRs/market offences (Mandatory Training).

In respect of the breaches by DR A and DR B:

DR A was the primary person in charge of the trading activities in the said Counter and who had instructed DR B on execution of the trades. These two DRs had engaged in manipulative/false trading activities of the said Counter's shares in numerous clients' accounts (including two directors of the said Counter) which involved:-

(a) The placing/entering of significant number of multiple large buy orders at different price levels, which were prominent/dominated the buy side of the order books during pre-opening and continuous trading phases which were followed by order withdrawals/deletions of these/majority of these large buy orders when market price approached the order price or when these buy orders were in the priority queue indicating that the buy orders entered were not intended to be traded/genuine (Artificial Buy Orders); and

(b) The entry of opposing buy/sell orders in significant quantities or in quantities that took up each other's orders which were entered at the same price and in close proximity of time with that of other identified DRs' orders giving rise to the execution of trades that constituted on-market coordinated trades/cross trading activities (Coordinated/Cross Trading Activities).

By engaging in the above manipulative trading activities, DR A and DR B were able to sell most of the sell orders entered for their clients and at profits even though the selling were done during the period of down trending of the said Counter's share price.

In respect of the breaches by DR C and DR D:

DR C and DR D had engaged in manipulative/false trading activities of the said Counter's shares in numerous clients' accounts (and for DR C, including the account of his spouse) which involved the following:-

(a) Series of active buying and selling of the said Counter's shares at or about the same price continuously which were devoid of economic sense and tantamount to churning activities.

(b) The placing of large buy orders which were subsequently withdrawn to avoid priority queue and facilitate selling activities by the said DRs indicating that these buy orders were entered with no intention to be traded (Artificial Buy Orders).

(c) The entry of buy/sell orders in close proximity of time with the opposing orders of other identified DRs which were entered at the same price and in significant quantities that took up each other's orders resulting in coordinated trades/cross trades between DR C and DR D and other identified DRs (Cross Trades/Cross Trading).

(d) The entry of a series of buy orders at seller's price (Bidding Up activities) on some trading days which had the effect of pushing up/maintaining the share price at a higher level and thus facilitated the selling activities at a better price or at the maintained price levels.

By engaging in the aforesaid trading misconducts/facilitating the clients to trade through creation of false market activities/manipulative trading, the investing public were deceived/induced to enter into the market to buy upon seeing the increased/inflated/strong demand of the said Counter's shares artificially created by, amongst others, the significant quantity of Artificial Buy Orders, not knowing that the inflated demand of these buy orders were not intended to be traded as evidenced by the subsequent deletion of the same to avoid priority queue/to facilitate the selling activities.

In carrying out dealing activities in the clients' accounts, these four DRs had:-

(i) acted as mere order-takers without due regard to market orderliness;

(ii) acted recklessly/failed to exercise reasonable due care and diligence in undertaking dealing activities for the clients; and

(iii) failed to be alerted of the irregularities of the trades and to undertake due inquiry in light of the characteristics and implications of the trades.

In imposing the sanctions on the four DRs, various factors were taken into account including the severity of breach committed by each of them, the differing roles played by/extent of the involvement of the DRs (including the primary and secondary roles of DR A and DR B respectively), the financial benefits derived and the impact to the market arising from these DRs' manipulative trading activities.

*Information on this case can be found in the Media Release dated [24 September 2014](#).*

**Case B17: Trading Misconduct – (execution of trades that caused significant price fluctuation in 8 counters)**

**In 2014:-**

❖ A DR (cum Head of a PO's Inter-Broke Dealing team) was publicly reprimanded, fined RM100,000 and required to undergo training on the conduct or professionalism of DRs/market offences (Mandatory Training) for trading misconduct involving the execution of trades that caused significant price fluctuation in 8 counters (the 8 Affected Counters) and impacted these securities' closing price to hit at or near the limit up/down price on one trading day (the Incident), as described below:-

  (a) Based on the DR's instruction, the execution dealers of the PO's Inter-Broke Dealing team under the charge of the DR had entered buy and sell orders of the 8 Affected Counters for a client as part of the client's portfolio rebalancing (in a market on close order) at prices which were significantly far away from the market price and at/near limit up or down prices for the 8 Affected Counters on a trading day.

  (b) The entries of these orders on the said trading day had:

(i) adversely affected or impacted the Theoretical Closing Price (TCP) of the 8 Affected Counters during the Pre-Closing phase and/or the Trading At Last phase giving rise to the significant increase in the closing price of two counters (of buy orders) which hit at or near limit up price and significant decrease in the closing price of 6 counters (of sell orders) which hit at or near limit down price; and

(ii) distorted the discovery of the fair price of the 8 Affected Counters.

(c) In undertaking any trading strategy and executing/instructing the execution of these orders towards fulfilling client's orders, the DR should have undertaken the following:-

(i) considered the effects, risks and consequences of entering orders at prices which were significantly far from the market price of the 8 Affected Counters;

(ii) assessed the liquidity for each of the counters taking into account, amongst others, the magnitude of the client's orders vis-à-vis the opposing orders in the market in respect of these counters at the material time prior to/of execution of the orders; and

(iii) closely monitored/ensured close monitoring of the orders entered;

to prevent any possible disruption to market orderliness/adverse price impact to the relevant counters in compliance with the Rules.

The DR however had failed to undertake such assessment and monitoring and had unreasonably executed/instructed the execution of these orders based on, amongst others, an assumption that there was generally liquidity of counters on a rebalancing day. The sanctions were imposed on the DR having regard to, amongst others, the primary role he played as the head of the PO's Inter-Broke Dealing team having control and supervision over the Execution Dealers and market impact.

*Information on this case can be found in the Media Release dated 30 September 2014.*

❖ Arising from the Incident above, two execution dealers of the PO's Inter-Broke Dealing team who executed the trades for a few of the 8 Affected Counters were also found to be in breach of the rules and imposed a private reprimand, a fine of RM10,000 each and Mandatory Training. Less severe sanctions were imposed on the execution dealers having considered the secondary role played by them who were under the supervision of the DR. However, a fine of RM10,000 was imposed to serve as a deterrent consideration against the two execution dealers for they had failed to exercise due care and diligence and make proper assessment in carrying out the orders, despite indications of lack of liquidity/possible lack of liquidity for the 8 Affected Counters. The sanction of Mandatory Training was imposed against them in light of their ignorance on the importance of a DR's overriding duty to ensure market orderliness.

**Case B18: Manipulative trading activities – (driving up the price activities)**

In 2014, a DR was imposed a public reprimand, a fine of RM50,000, 6 months suspension and required to undergo training on conduct or professionalism of DRs/market offences (Mandatory Training) for he had engaged in the following manipulative dealing activities in the securities of one counter (the said Counter) over a period of time in two of his clients' accounts (Manipulative Trading Activities):-

(a) the repetitive execution of buy orders including during afternoon trading session and/or at or near the close of market at successively higher prices which had caused the price of the said Counter's shares to close at the daily high on numerous trading days;

(b) the repetitive execution of buy orders at increasing bids including buy orders in small quantities (i.e. in 100 units) at prices higher than the last done price that took up the seller on board (in small quantities) had given rise to price maintenance/increase of the said Counter's shares (Driving Up the Price activities);

(c) the practice of executing buy orders of small quantities at increasing bids and at the same time placing larger buy orders at lower prices had distorted the actual demand and supply of the said Counter's shares during the material time and gave a false appearance as to the depth and market interest/the demand for the shares whilst frustrating/influencing the (genuine) sellers to sell to the DR's clients' larger buy orders at lower price in reducing their transaction costs; and

(d) the increasing bids small quantity buy orders repeatedly undertaken over a period of time had given rise to artificial price support with artificial volatility/price fluctuation as well as the false/misleading appearance of the trading activities of/market for the said Counter's shares. This is because the investing public would not know that these trading activities that raised the price whenever the share price retreated to lower level or caused the price to move to the next level were due to the execution of small quantity buy orders by the DR, a single DR acting for his two clients. In addition, the dealing activities had impacted the maintenance of a fair and orderly market of the said Counter.

As a Registered Person, it was not acceptable for the DR to merely execute orders as instructed by his clients without making proper assessment of the orders received/executed and exercising reasonable due care and diligence in undertaking dealing activities for his clients so as to avoid/prevent/refrain from any manipulative/false dealing activities.

*Information on this case can be found in the Media Release dated 2 December 2014.*