

Bursa Malaysia Rules – Key Enforcement Cases in 2018

B. Cases on Market Abuses/Manipulative Activities where Enforcement Actions were taken against RPs

Expectations on RPs:

- (a) RPs including DRs are obligated to carry out their duties efficiently including ensuring maintenance of a fair and orderly market, fair dealing and market orderliness/integrity.
- (b) DRs should avoid/refrain from engaging in manipulative/false trading activities.
- (c) It is not acceptable for DRs to act as mere order takers for their clients. DRs must:-
 - (i) make proper assessment of the orders received/executed; and
 - (ii) exercise reasonable due care and diligence in undertaking dealing activities for their clients, so as to avoid/prevent/refrain from any manipulative/false trading activities. DRs should monitor the clients' trading activities and be alert to any irregularities in the clients' trades and undertake due enquiries into the same.

- (l) Bursa Malaysia Securities had imposed a public reprimand via e-Rapid link, fine, deferred suspension and Mandatory Training on the following DRs for engaging in market abuses/manipulative trading activities:-

Case B1: Cross Trades, Bidding up activities and Order stacking and withdrawal

- (1) Bursa Malaysia Securities had imposed the following sanctions on 3 DRs for engaging in manipulative trading activities in the securities of 5 counters (the 5 Counters):-

RP	Sanctions Imposed
DR A	(a) public reprimand via e-Rapid link; (b) fine of RM61,000; (c) 10 months suspension which was deferred for 2 years (Deferred Suspension); and (d) Mandatory Training.

Glossary:

Bursa Malaysia Securities:	Bursa Malaysia Securities Berhad
CDR:	Commissioned Dealer's Representative
DR:	Dealer's Representatives
Mandatory Training:	Requirement to undergo training on conduct or professionalism of DRs/Registered Persons/Head of Dealing/Compliance Officer/market offences
PO:	Participating Organisation
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RP	Sanctions Imposed
DR B	(a) public reprimand e-Rapid link; (b) fine of RM61,000; (c) 10 months suspension which was deferred for 2 years (Deferred Suspension); and (d) Mandatory Training.
DR C	(a) public reprimand e-Rapid link; (b) fine of RM58,000; (c) 10 months suspension which was deferred for 2 years (Deferred Suspension); and (d) Mandatory Training.

- (2) DR A, DR B and DR C (the 3 DRs) had engaged in manipulative trading activities in the 5 Counters on certain trading days (ranging from one to several trading days) through the accounts of their clients (who were their family members respectively) which involved/had the following characteristics (Manipulative Trading Activities):-
- (a) the execution of on-market coordinated cross trades among the 3 DRs with the entries of opposing orders at the same price and in many instances, in close proximity of time that took on each other's opposing trades/passed on their shares to each other which had generated artificial trading activity and volume (Cross Trades);
 - (b) the execution of increasing bids buy orders (Bidding up) (i.e. positive price changes from the last traded price/reference price) by taking the seller at the seller's price repeatedly. This caused the prices of the 5 Counters to rise or be maintained/sustained at certain levels; and
 - (c) the placing of buy orders at multiple price levels (Order stacking) which created a misleading appearance of increased and sustained/strong demand/market for the shares at certain price level with inflated demands. This induced other market participants into the market and facilitated the disposal of their clients' shareholdings in the 5 Counters. These stacked buy orders were subsequently cancelled/withdrawn (Order withdrawal) when these buy orders were at the priority queue in order to avoid priority at the bid side of the order book. This indicated that these buy orders were not intended to be traded.

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These Manipulative Trading Activities had given rise to the creation of a false/misleading appearance of active trading and/or in respect of the market for and/or the price of the securities of the 5 Counters during the relevant trading days.

- (3) Through these Manipulative Trading Activities by the 3 DRs in the 5 Counters (that were either thinly traded/relatively thinly traded):-
 - (a) the market was led to believe and under the false impression that there was continuous/strong demand by various participants who were engaging in the buying activities in the 5 Counters at various price levels/higher prices, without the market knowing that these were essentially orders and trades which emanated from the 3 DRs; and
 - (b) the share price of the 5 Counters had been raised/maintained at certain levels which generated artificial trading activity and volume.
- (4) The sanctions were imposed on the 3 DRs after taking into consideration, amongst others:-
 - (a) all facts and circumstances, including the extent and impact of the breaches including the financial benefit generated in the clients' accounts;
 - (b) the 3 DRs' co-operation with Bursa Malaysia Securities in the enforcement actions against them by admitting to the breaches; and
 - (c) the 3 DRs' asserted mitigating factors as well as the commission earned by them.
- (5) The Deferred Suspension imposed on the 3 DRs was to ensure that they do not commit another dealing related breach(es). Thus, the 10 months suspension is deferred and will be waived if they do not commit another dealing related breach(es) within 2 years.

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