

## MEDIA NOTIFICATION

16 November 2022

### BURSA MALAYSIA SECURITIES PUBLICLY REPRIMANDS, FINES AND SUSPENDS/ RESTRICTS TWO DEALER'S REPRESENTATIVES FOR PROHIBITED/UNLAWFUL TRADING ACTIVITIES

Bursa Malaysia Securities Berhad [Registration No.: 200301033577 (635998-W)] (**Bursa Malaysia Securities**) has taken enforcement actions against the following two (2) Dealer's Representatives (**DRs**) for breaches of the Rules of Bursa Malaysia Securities for engaging in short selling activities in the accounts of three (3) clients:

No.	DR	Sanctions imposed
1.	Mooi Weng Hou ( <b>MOOI</b> )	(a) Public reprimand; (b) Fine of RM94,500; (c) 6 months suspension/restriction (as the case may be) from being a Registered Person of Bursa Malaysia Securities; and (d) Requirement to undergo training on conduct or professionalism of DRs/market offences ( <b>Mandatory Training</b> )
2.	Kwan Chun Han ( <b>KWAN</b> )	(a) Public reprimand; (b) Fine of RM25,000; (c) 3 months suspension/restriction (as the case may be) from being a Registered Person of Bursa Malaysia Securities; and (d) Mandatory Training.

MOOI and KWAN were Commissioned DRs of RHB Investment Bank Berhad (**RHBIB**) at its Pandan Indah Branch Office at the material time of the breaches and had contravened and/or triggered the provisions of Rules 3.14(b), (c) & (d), 5.01(a), 8.34(3) & 15.09(a), (b) & (g) of the Rules of Bursa Malaysia Securities and Paragraph 1.1(1)(e) of Directives No. 5-001 of the Participating Organisations' (**PO**) Directives and Guidance (**Directives No. 5-001**) read together with Section 98(1) of the Capital Markets and Services Act 2007 (**CMSA 2007**) and POs' Circulars Nos. R/R 5 of 2020 dated 23 March 2020, R/R 7 of 2020 dated 28 April 2020 and R/R 10 of 2020 dated 26 June 2020 (collectively referred to as **Short Selling Suspension Circulars**).

Bursa Malaysia Securities views misconducts that compromise the integrity of the market seriously and will not tolerate any unlawful trading practices. Registered Persons, including DRs, must undertake trading activities in strict compliance with the Rules of Bursa Malaysia Securities and relevant laws including acting with integrity in maintaining market

confidence. Bursa Malaysia Securities will not hesitate to take appropriate actions against anyone who engages/participates in or assists/facilitates such misconducts or fails to carry out their duties with utmost integrity, including suspending or striking off a Registered Person from the Register and imposing a fine that commensurate with the severity of the breach.

## **BACKGROUND**

The finding of the breaches and imposition of the sanctions on MOOI and KWAN were made pursuant to Rule 15.02 of the Rules of Bursa Malaysia Securities after according due process to MOOI and KWAN, taking into consideration all facts and circumstances including the following:

(1) During the relevant period of approximately one (1) month (**Relevant Period**), MOOI had engaged in prohibited/unpermitted short selling activities in the trading accounts of his three (3) clients (**3 Clients**). MOOI had:

- (a) executed and instructed KWAN to execute numerous instances of intraday short selling trades involving substantial volume in the following nine (9) counters:
  - (i) Anzo Holdings Berhad
  - (ii) AT Systematization Berhad
  - (iii) Bioalpha Holdings Berhad
  - (iv) Careplus Group Berhad
  - (v) Comfort Gloves Berhad (**COMFORT**)
  - (vi) Waja Konsortium Berhad (formerly known as Connect County Holdings Berhad)
  - (vii) PDZ Holdings Bhd (**PDZ**)
  - (viii) Vsolar Group Berhad; and
  - (ix) CW Hang Seng Index.

These nine (9) counters were not Approved Securities pursuant to Rule 8.22(5) of the Rules of Bursa Malaysia Securities and hence, short selling, including Intraday Short Selling pursuant to Part D of Chapter 8 of the Rules of Bursa Malaysia Securities (**IDSS**) was prohibited in these counters (**Prohibited Short Sales**); and

- (b) executed and instructed KWAN to execute numerous instances of IDSS trades involving substantial volume in two (2) counters, namely Supermax Corporation Berhad (**SUPERMX**) and Top Glove Corporation Berhad which were Approved Securities, when IDSS was suspended by the Exchange at the material time pursuant to the Short Selling Suspension Circulars (**Unpermitted IDSS trades**).
- (2) Based on MOOI's instructions, KWAN had on two (2) trading days, during the Relevant Period, executed:-
- (a) numerous Prohibited Short Sales involving substantial volume in COMFORT and PDZ; and

- (b) numerous Unpermitted IDSS trades involving substantial volume in SUPERMX.
- (3) MOOI and KWAN had engaged in/executed:-
- (a) the Prohibited Short Sales despite knowing that IDSS could only be executed in Approved Securities and the relevant counters were not Approved Securities and/or the 3 Clients did not have an exercisable and unconditional right to vest the securities in the counters in a purchaser of the securities. These Prohibited Short Sales constituted short selling in contravention of Rules 8.34(3) & 3.14(b) of the Rules of Bursa Malaysia Securities read together with Section 98(1) of the CMA 2007;
  - (b) the Unpermitted IDSS trades despite knowing that IDSS was suspended at the material time as the suspension was publicly announced by the Exchange and notified to the DRs (including MOOI and Kwan) by RHBIB. Hence, MOOI and KWAN had breached Rule 3.14(c) of the Rules of Bursa Malaysia Securities read together with the Short Selling Suspension Circulars; and
  - (c) the intraday short selling trades despite RHBIB's system prompt/alert that the sell orders were entered for counters in which the Clients did not have the requisite tradeable balance (**RHBIB's System Alert**).

Further, despite KWAN highlighting to MOOI that the orders amounted to short selling activities, MOOI had executed and instructed KWAN to proceed to execute these short selling trades and KWAN had acted as a mere order taker, without more.

- (4) In imposing the sanctions on MOOI and KWAN, various factors were taken into account including: -
- (a) The severity, extent and materiality of the breaches by MOOI and KWAN, including the commission earned by MOOI from the trades, the gains made in the 3 Clients' accounts and Mooi's asserted mitigating factors vis-à-vis his financial hardship/condition.
  - (b) MOOI and KWAN had knowingly/blatantly disregarded the relevant Rules and laws and intentionally overrode/ignored RHBIB's System Alert to proceed with the short selling trades.
  - (c) The differing roles played by MOOI and KWAN and the extent of their involvement as follows:-
    - (i) MOOI had played a primary role as he had proposed short selling as a trading strategy to his 3 Clients and instructed KWAN to proceed regardless of RHBIB's System Alert and KWAN's alert that the orders amounted to short selling activities.
    - (ii) KWAN had played a secondary role by assisting/facilitating MOOI's breaches and had acted as a mere order taker.

- (d) KWAN's past misconducts where enforcement actions had been taken against him by Bursa Malaysia Securities ([Previous Breach](#)).
- (5) The public reprimand was imposed on MOOI and KWAN as a deterrent consideration to create market awareness and highlight the serious view taken by Bursa Malaysia Securities for trading misconducts by DRs who knowingly engaged/participated/assisted/facilitated in the breach and blatantly disregarded the relevant Rules and laws including the prohibition against short selling.
- (6) As Registered Persons acting in the capacity of a DR, MOOI and KWAN must, at all times:
- (a) observe professional conduct, standards of integrity and fair dealing;
  - (b) perform their duties efficiently, honestly and fairly;
  - (c) not to engage in/refrain from engaging in unlawful, irregular or unhealthy practice; and
  - (d) comply with and give effect to the relevant Rules, Directives and Securities Laws.
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## ADDENDUM

Rules 3.14(b), (c) & (d), 5.01(a), 15.09(a), (b) & (g) of the Rules of Bursa Malaysia Securities and Paragraph 1.1(1)(e) of Directives No. 5-001 provide, amongst others, that:

- Throughout the term of a Registered Person (RP)'s registration, a RP must:
  - comply with and give effect to the Securities Laws<sup>[1]</sup> and the Commission's requirements;
  - comply with and give effect to these Rules and the Directives<sup>[2]</sup> and to any undertaking given to the Exchange whether before or after registration as a RP; and
  - observe professional conduct, standards of integrity and fair dealing.

[Note:

[1] *Section 98(1) of the CMSA 2007 states that a person shall not sell securities unless, at the time when he sells them:*

*(a) he has or, where he is selling as agent, his principal has; or*

*(b) he believes on reasonable grounds that he has, or where he is selling as agent, his principal has,*

*a presently exercisable and unconditional right to vest the securities in a purchaser of the securities.*

[2] *The Exchange had, vide the Short Selling Suspension Circulars i.e. POs' Circular Nos. R/R 5 of 2020 dated 23 March 2020, R/R 7 of 2020 dated 28 April 2020 and R/R 10 of 2020 dated 26 June 2020, pursuant to Rule 2.01(2)(r) of the Rules of Bursa Malaysia Securities, directed, amongst others, that Intraday Short Selling pursuant to Part D of Chapter 8 of the Rules of Bursa Malaysia Securities and the Directives on Intraday Short Selling No. 8-003 of the POs' Directives and Guidance be temporarily suspended from 24 March 2020 until 31 December 2020.]*

- A PO and RP must, in the conduct of the PO's business, adhere to just and equitable principles and act with due skill, care and diligence and with due regard for the integrity of the market.
- A PO and RP must not engage in any unlawful or irregular or unhealthy practice.
- Any Defaulting Participant who, in any circumstances, directly or indirectly:
  - commits a breach of or violates any of the Rules;
  - has failed to comply with any of the Exchange's decisions, directives, rulings or guidelines (other than those guidelines which are expressed to be non-binding) made under the Rules and/or by the Exchange; and
  - fails to perform his duties efficiently, honestly or fairlywill be liable and be dealt with in accordance with the provisions of the Rules relating to the same.
- **Rule 8.34(3) of the Rules of Bursa Malaysia Securities** provides that Intraday Short Selling can only be carried out for Approved Securities by way of On-Market Transaction.



## About Bursa Malaysia

Bursa Malaysia is an exchange holding company incorporated in 1976 and listed in 2005, and has grown to be one of the largest bourses in ASEAN today. Bursa Malaysia operates and regulates a fully-integrated exchange offering a comprehensive range of exchange-related facilities, and is committed to *Creating Opportunities, Growing Value*. Learn more at [www.bursamalaysia.com](http://www.bursamalaysia.com).

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