

Bursa Malaysia Rules – Key Enforcement Cases in 2016

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 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 without: (i) making proper assessment of the orders received/executed; and (ii) exercising reasonable due care and diligence in undertaking dealing activities for their clients, so as to avoid/prevent/refrain from any manipulative/false trading activities including being alert to any irregularities in the clients' trades and undertake due enquiries into the same.

- (l) Bursa Malaysia Securities had imposed a public reprimand, fines and/or suspension/striking off and/or Mandatory Training, on the following RPs/DRs for engaging in market abuses/manipulative trading activities, details of which can be found in the media releases issued:-

<u>No.</u>	<u>RP/DR</u>	<u>Type of market abuse/manipulative activities</u>	<u>Date of media release</u>
1.	Long Jin Seng	<ul style="list-style-type: none"> • cross trades to facilitate rollover of trades/prolong holding period of shares 	15 February 2016

Glossary:

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No.	RP/DR	Type of market abuse/manipulative activities	Date of media release
2.	Tiong Siew Ngaik	<ul style="list-style-type: none"> • churning activities 	1 July 2016
3.	Yew Hock Ming	<ul style="list-style-type: none"> • rollover activities 	
4.	Ling Chen Yew	<ul style="list-style-type: none"> • co-ordinated cross trades • driving up the price/increasing bids activities 	
5.	Mohan A/L Arimuthu	<ul style="list-style-type: none"> • false market activities of placing artificial buy orders which were subsequently cancelled/not intended to be traded to facilitate selling 	6 September 2016
6.	Chiang May Lin	<ul style="list-style-type: none"> • cross trades to facilitate rollover of trades/prolong holding period of shares 	31 October 2016
7.	Ng Ming Hoe	<ul style="list-style-type: none"> • cross trades to facilitate rollover of trades/prolong holding period of shares 	22 December 2016

- (II) Bursa Malaysia Securities had also imposed a public reprimand via e-Rapid link/private reprimand, fines and/or suspension and Mandatory Training on the following RPs/DRs for engaging in irregular trading activities/market abuses/manipulative trading activities:-

Case B1: False market activities – Order stacking and withdrawal

- (1) A SDR was imposed a private reprimand, fine of RM110,000, 3 months' suspension and Mandatory Training for he had carried out dealing activities in the securities of 2 counters on several trading days by:-
- (a) entering a series of large quantity buy orders (LQBOs) in rapid succession to take the sellers at the best offer price and stacking LQBOs at the best bid price which dominated/controlled the buy side of the order books of the 2 counters on the relevant trading days; and

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- (b) withdrawing/cancelling these buy orders stacked at the initial best bid price (which were in the priority queue) upon disposal of his shares at higher prices to the buyers who jumped queue to buy/parked/keyed-in at higher price,

which indicated that he did not intend to buy these LQBOs keyed-in/stacked.

- (2) These orders/activities of the SDR had given rise to the creation of a false/misleading appearance in respect of the market/demand for and/or the price of the securities of the 2 counters and facilitated his selling activities entered:-
 - (a) at a price higher than his stacked LQBOs; or
 - (b) at the new best bid price upon the entry of buy orders by other buyers who were attracted to come into the market and keyed-in their buy orders at price higher than the SDR's multiple stacked buy orders in order to gain priority over the SDR's stacked orders.

Consequently, the SDR's sells were able to be traded at higher prices.

- (3) In imposing the sanctions on him, various factors were taken into consideration including:-
 - (a) the extent/severity and impact of the breaches; and
 - (b) the SDR's asserted mitigating factors/remedial actions i.e. that he had immediately stopped such activities upon being informed of the breaches and undertook self-correction/self-regulated measures and improved his trading conduct.

Case B2: Cross trades, Bidding up activities and Marking the Close trades

- (1) Bursa Malaysia Securities had imposed the following sanctions on the following DRs for engaging in manipulative dealing activities in the securities of one counter through numerous accounts of their clients over a period of time (Relevant Period):-

RP	Sanctions Imposed
DR A	(a) public reprimand via e-Rapid link; (b) fine of RM48,000;

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RP	Sanctions Imposed
	(c) 10 months suspension; and (d) Mandatory Training.
DR B	(a) public reprimand e-Rapid link; (b) fine of RM30,000; (c) 5 months suspension; and (d) Mandatory Training.
DR C	(a) public reprimand e-Rapid link; (b) fine of RM34,000; (c) 5 months suspension; and (d) Mandatory Training.

- (2) During the Relevant Period, DR A, DR B and DR C (3 DRs) had undertaken dealing activities in the following manner:-
- (a) the execution of manipulative on-market coordinated cross trades among the 3 DRs through entries of their orders at the same price in close proximity of time to take on each other's opposing trades/pass on their shares to each other which generated artificial trading activity and volume (Cross Trading activities/Cross Trades);
 - (b) the execution of increasing bids buy orders including in small quantities by the 3 DRs that had driven up the share price of the counter (IB Trades/Bidding up activities); and
 - (c) in addition, in respect of DR A, the execution of buy orders towards the close of the trading session/before market close by taking the seller at the seller's price (Marking the Close trades) which gave rise to the price increase or maintenance of the closing price.

These activities had created a false/misleading appearance of the market for, activities in and the price of the said counter's shares during the Relevant Period (False/Misleading Appearance).

- (3) The characteristics and impacts of the Cross Trading activities and Bidding up activities among the 3 DRs were found to be manipulative as follows:-

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- (a) There were patterns of co-ordination by them in matching against each other's opposing orders, mostly in rapid succession/close proximity undertaken during certain trading intervals with their Cross Trades constituting a significant portion of their clients' total buy and sell during the Relevant Period.

On some trading days, these on-market Cross Trades of the 3 DRs involved their entire opposing trades being matched against each other. These manipulative trading had enabled them to match large quantity of the shares of the counter swiftly during certain trading intervals whilst dictating the priority queue of the best bid and offer share prices of the counter that were thinly traded during the Relevant Period.

- (b) The significant number of on-market Cross Trades executed by the 3 DRs that continued over a period of time in a repeated manner of trading pattern among them either as a buyer or seller had enabled them to dictate the price at which the trades were done and dominated the trading activities of the counter during the Relevant Period.
- (c) Through these Cross Trading activities, their clients' purchases of shares of the counter were passed on to each other thus enabling them to square off large quantities of their trades to the opposing buy/sell orders among them.
- (d) The constant execution of higher bids buy trades (including those which involved small quantity buy orders) had caused the share price of the counter to increase and artificially raised/maintained/supported the share price at certain levels (including by pushing the share price upward whenever the price retreated to a lower level).

These Bidding up activities had facilitated the execution of Cross Trades by the 3 DRs at higher prices in passing on or rolling over the trades/prolonging the holding period of the shares in their respective clients' accounts and thus, minimized the impact of selling pressure that could have existed in the illiquid counter.

- (e) These activities gave rise to the creation of artificial appearance of active trading and increased market activities with a surge in the trading volume/price/active demand that induced/could have induced other market participants to trade in the counter.
- (4) In respect of the Marking the Close trades by DR A, her entries of buy orders to take the seller at the seller's price or at prices higher than the prevailing/last done price, in particular during late trading hour or during the pre-closing phase and the matching of these orders had the effect of maintaining or raising the last done price. This had influenced/artificially inflated the closing price (via-a-vis the

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last traded price during the relevant trading days) and created a False/Misleading Appearance as to the share price of the counter.

- (5) The above sanctions were imposed on the 3 DRs having considered all facts and circumstances, including the severity, extent and impact of the breaches and the conduct of these 3 DRs including their co-operation with Bursa Malaysia Securities in the enforcement action by not disputing the breaches and electing and agreeing to settle/resolve the matter pursuant to Rule 15.04 of the Rules of Bursa Malaysia Securities. In this regard, in determining the sanctions to be imposed, Bursa Malaysia Securities will take into account the extent of co-operation by the errant party (including timing of the initiation of settlement by the errant party).

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