

C. Cases of misconduct including cases involving unlicensed persons / unauthorised trades where Enforcement Actions were Taken Against Registered Persons (DRs/FBRs)/the company (POs/TPs) for lapses of supervision

Case C1: DR allowed third party to operate client's account

In 2 cases where 2 DRs were struck off from the Register, one case involved a DR who allowed herself to be subject to the arrangements made by her clients with a third party. She took instructions from the said third party with regard to dealing in securities in her clients' accounts without first obtaining written approval/authorisation to do so from her clients. The trading carried out in the clients' accounts resulted in substantial losses which were disputed by her clients.

Case C2: DR misused client's account /dishonest or fraudulent act(s) of DR

Numerous DRs were struck off from the Register in the following circumstances:-

- A DR had unlawfully transacted in the account of a client by giving orders to the execution dealer for the execution of trades in the client's account, purportedly relaying the orders on behalf of the client without the client's knowledge and consent, resulting in losses in the client's account.
- A DR had forged the signature of his client to transfer the client's shares into third parties' accounts and sold the shares in these clients' accounts to cover losses incurred in these accounts and used the proceeds for other purposes not intended by the client, without the knowledge and consent of the client.
- A DR had unlawfully transacted in his clients' accounts. The DR had used the clients' accounts to conduct unauthorized trades to execute his personal trades, changed clients' correspondence addresses without their knowledge, unlawfully transferred clients' shares from their accounts to other clients' accounts, misappropriated clients' monies and produced forged statements to clients upon their enquiries into the status of their accounts.
- A DR had carried out numerous unauthorized trades in one of his clients' accounts including the sale of his client's paid shares without his client's knowledge and consent and forging his client's signature to update his client's correspondence address to his own residential address.



Case C3: Unlicensed person undertook activities of licensed person

A futures broker's representative (FBR) was fined RM10,000 as the assistant (who did not hold a FBR licence) engaged by him had taken orders from clients and executed futures contracts for the clients, with the FBR condoning and/or allowing such acts. The FBR failed to carry out proper supervision and monitoring on his assistant who had physical access to the dealing room and access to the dealing terminal, resulting in his assistant trading in futures contracts in the account of a client on 2 days. These futures contracts, which exceeded the trading limit approved by the TP and resulted in losses incurred in the client's account, were executed by the assistant without the consent and authorisation of the client.

The TP was also fined RM10,000 for failing to ensure that it had a proper system to supervise the activities of its FBR and the assistant engaged / employed by its FBR, and for failing to ensure that it established, maintained and enforced written procedures to supervise its business activities and the activities of its Registered Representatives or agents, which had resulted in the assistant who was engaged by the FBR to trade in futures contracts for 2 days.

Case C4: Sharing of User IDs and DR failed to engage full time in office

2 DRs were noted to have engaged in other business activities giving rise to the possibility of unlicensed persons undertaking dealing activities on behalf of these 2 DRs during the period of their absence from the office. These 2 DRs had allowed their user IDs and passwords for their BFEs to be shared with other persons. Fines of RM25,000 and RM26,000 respectively were imposed on the 2 DRs. The PO was imposed a fine of RM31,000 for supervisory breaches (**see case D1 below**).

Case C5: Sharing of User IDs and failure to supervise by company/supervisor

A DR was imposed a private reprimand for revealing her user ID and password to other persons who were not authorised to use her user ID and password to sign-on to the BFE. This had resulted in a trainee DR carrying out the function of a DR by taking orders from the clients and executing trades from a BFE using the DR's user ID and password.

A fine of RM5,000 was imposed on a DR (as a supervisory DR) with supervisory role to coordinate a team of DRs including a trainee DR, as during the absence of one of the DRs from work for several trading days, the trainee DR took orders from clients with the knowledge and consent of the supervisory DR. The PO was imposed a fine of RM10,000 for its failure to supervise the overall operation of its business activities and the activities of its Registered Persons and employees pertaining to this breach.

In another case, a DR was imposed a fine of RM5,000. This DR acted in the capacity as a supervisory DR with the function to supervise the dealing team and to coordinate all functions in relation to trading/dealing related matters and he was appointed as the Head of Institutional Sales with the responsibility to oversee and supervise the execution of trades. The DR failed to ensure, amongst others, that the client's clearing account was used for the execution of client's trades only at the instructions of the client's authorised personnel. A trading clerk, in using his user ID tagged to the said supervisory DR's user ID, had executed trades in breach of the relevant rules. The PO was also imposed a fine of RM25,000 for allowing irregular/unhealthy practice to exist/prevail in the daily and professional business conduct of the PO as a client's clearing account was used to execute trades for its proprietary account (**see Case D4 below, 3rd case**).

Case C6: Abuses of client's account

A DR who was also the Head of branch was ordered to be suspended for 9 months as a DR and was prohibited from carrying out any supervisory and monitoring functions on all dealing activities at the branch office for 9 months in addition to a fine of RM10,000 imposed on him for failing to monitor and supervise the dealing activities of the branch office. In this case, the trades (which were manipulative in nature) were carried out in the clearing account of a client for another client due to insufficient trading limits in the latter's account at the time of execution. After the updating of the trading limits in the latter's account, the contracts executed in the earlier account were amended to the latter's account.

Case C7: Unauthorised trades

- ❖ A FBR was fined RM10,000 and imposed a deferred suspension for he had carried out unauthorised trading of futures contracts in his attempts to rectify a trading error in his client's account. The unauthorised trades in the client's account started when the FBR made an error by entering a short position of a futures contract instead of the correct type of futures contract as per his client's instruction. The FBR had subsequently entered into two positions to off-set the existing position and to cover the margin call in the client's account. As a result, the client's account incurred losses.
- ❖ Another DR was imposed a fine of RM5,000 for he had undertaken dealing activities in a client's account with instructions of trades received from a third party who was not a person allowed and authorized in writing by the client to trade on his behalf. Thus, the DR had allowed his client's account to be used by the third party to undertake trading activities based on the third party's instruction(s) and/or unlawfully transacted on another person's account.

The sanctions imposed were premised on, amongst others, whether the client had/could have authorised the third party to trade on his/her behalf, albeit without a written authorisation or whether the trades were undertaken based on the third party's instructions without the client's knowledge/consent.

In 2011:-

- ❖ A DR was imposed a public reprimand, fined RM10,000 and struck off the Register for he had:-
 - (a) carried out dealing in securities in the account of a client without client's authorisation/consent/knowledge; and
 - (b) used the client's account for the DR's own interest,

resulting in losses in his client's account which were disputed by the client.

The following were some of the factors considered in arriving at the above sanctions:-

- (1) The DR had failed to act in the best interest of his client by executing personal trades using the client's account for his own benefit. The DR's misconduct involved dishonest acts/abuse of clients' accounts which resulted in losses incurred in clients' accounts.

- (2) His misconduct in carrying out personal trades in his client's account showed his lack of integrity and that he had no due regard to his client's interest and blatantly disregarded his obligations as a DR under the Rules, amongst others, to observe professional standards of integrity and fair dealing as well as to act honestly and in the best interest of his client which was expected of him as a DR.

Information on this case can be found in the Media Release dated [3 November 2011](#).

In 2014:-

- ❖ A DR was publicly reprimanded, imposed a fine of RM40,000, suspended/restricted for 6 months as/from being a Registered Person and required to undergo training on the conduct or professionalism of DRs/market offences, for he had executed trades in his client's account over a period of several months based on the instructions of a third party who was not authorised in writing by the client to trade on the client's behalf.

The sanctions imposed were premised on, amongst others, the facts and circumstances of the breach i.e.:

- (a) the DR had used/allowed his client's account to be used by the third party to execute the third party's trades and hence unlawfully transacted in the client's account; and
- (b) the sale of the client's shares and utilisation of the sale proceeds of the same to set off the losses in the client's account.

Information on this case can be found in the Media Release dated [15 April 2014](#).

Case C8: DR abused contract amendment facility to transfer profitable trades to the account of person related to DR

A DR was publicly reprimanded, imposed a fine of RM50,000 and ordered to be struck off as a DR from the Register for carrying out non-permissible contract amendments and for engaging in unlawful/unethical practices (the breaches). In this regard, it was noted that the DR had carried out numerous non-permissible contract amendments including contract amendments from other clients' accounts to his wife's account. The breaches by the DR had the following characteristics:-

- The contract amendments carried out by the DR from other clients' accounts to his wife's account were in respect of profitable purchase and sale contracts during the day made in the original clients' (1st named clients) accounts. These profitable purchase and sale contracts were then transferred to accounts of other clients including the DR's wife via the contract amendment facility.
- The DR had carried out non-permissible contract amendments and/or abused the contract amendment facility by using this facility in the trading system to unlawfully transfer/amend profitable trades to his wife's account and hence making illicit gains in her account to the disadvantage of the 1st named clients.



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- The DR had carried out frequent and numerous contract amendments which resulted in a change of the original party to the contract, most of which involved the same few clients/common clients thus indicating that the contract amendments carried out were not due to execution error.

Information on this case can be found in the Media Release dated [7 July 2011](#).

Case C9: DR abused client's shareholding information/dishonest or fraudulent act(s) of DR

A DR was imposed a private reprimand and a 3 months suspension for her misconduct arising from the abuse of client's shareholding information to enable a third party to attend Annual General Meetings (AGMs) of public listed companies (PLCs) without the client's knowledge/authorisation. The investigation finding showed that the DR had, amongst others, failed to observe professional standards of integrity and fair dealing and act honestly and in the best interest of her client, as she had:

- filled up a client's shareholding particulars in the proxy forms for the AGMs of 3 PLCs (3 proxy forms) without her client's knowledge / authorization;
- signed / initialled her client's signature / initial on the 3 proxy forms for the AGMs. As such, she had falsified her client's signature / initial on the 3 proxy forms for the AGMs; and
- appointed her spouse as her client's proxy to attend the AGMs without her client's knowledge / authorization.

The sanctions, in particular the 3 months' suspension were imposed having considered, amongst others, the seriousness of the breach as the DR had failed to preserve the confidentiality of her client's shareholding information and falsified the client's signature/initial by the DR.

Subsequent to the above case, enforcement actions were initiated against 6 DRs and 1 trading clerk for the following breaches:-

- (a) unlawfully disclosing shareholding information to other person not authorized to receive the shareholding information; or
- (b) unlawfully utilizing/making use of shareholding information received and abuses of third party's right (e.g., filling shareholding information/proxy's particulars in proxy form, falsifying the shareholder's signature on proxy form and attending/intending to attend the AGM using the shareholding information received/procured),

where a private reprimand and suspension/restriction on function as a Trading Clerk/DR ranging from 2 weeks – 2 months were imposed. The length of suspension/restriction depended on the severity/circumstances of the breach e.g. whether there was abuse/misuse of shareholding information, number of occasion(s)/shareholder(s)/client(s) involved and whether it involved falsification of shareholder's signature of proxy forms.

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Case C10: Supervisory failure by FBR

A fine of RM10,000 was imposed on a FBR for he had failed/neglected to prevent a person who was not a Registered Representative (unlicensed person), from accepting orders from clients, which was the function to be performed by a Registered Representative. This resulted in the unlicensed person who was under the FBR's training/supervision accepting numerous instructions from clients over a period of time.

The Trading Participant (TP) was imposed a fine of RM5,000 for supervisory breaches and directed to take remedial actions (**see case D7 below**).

Case C11: Abuse of client's account/unauthorised trades in client's account (and which involve elements of market abuses)

In 2011:-

- ❖ A DR was imposed a public reprimand, fined RM60,000 and struck off the Register for he had carried out unethical/unlawful activities by colluding with an identified third party to manipulate two counters by maintaining their prices at certain levels. The DR had:-
 - (a) taken instructions from a third party who did not have written authorisation from the clients to trade on their behalves. The DR had allowed his 2 clients' accounts to be used by the third party to undertake trading activities based on the third party's instructions for unlawful purposes. This resulted in substantial losses in the 2 clients' accounts which were disputed by the clients; and
 - (b) made arrangement with the third party to share his commissions with regard to the trades carried out in the clients' accounts pursuant to the third party's instructions.

The following were some of the factors considered in arriving at the above sanctions:-

- (1) The seriousness of the breach for the DR had allowed himself to be a conduit and participated in the third party's activities for 'price maintenance' of the shares of the 2 counters. This was despite the DR knowing that the unethical/unlawful activities were against the Rules, in particular when such arrangement for dealing in securities could lead/had led to market abuses.
- (2) The DR's misconduct in carrying out trades purported to belong to the third party spanned over a period of time in the accounts of the 2 clients. This demonstrated his blatant disregard of his obligations as a DR under the Rules, amongst others, to observe professional standards of integrity and fair dealing as well as to act honestly and in the best interest of his clients which was expected of him as a DR.

Information on this case can be found in the Media Release dated [18 October 2011](#).

In 2012:-

- ❖ One DR was imposed a public reprimand, fine of RM100,000 and a suspension of 12 months from dealing activities for breaching rules related to the opening of a client's account (the said client's account) and for unauthorised and false trading activities in the shares of 2 counters through the said client's account.

The DR had:-

- (a) failed to authenticate the application to open the said client's account in the manner as required under the rules and falsely declared authentication of the account opening forms. In this regard, the account opening forms were not executed by the said client in person before the DR. Instead the forms were submitted by a third party; and
- (b) allowed the said client's account to be operated by a third party who had unlawfully undertaken numerous trades in the account. These unauthorised trades gave rise to losses in the account which was disputed by the said client.

In undertaking these unauthorised dealing activities, the DR was noted to have acted upon the instruction given by the third party who was not a person allowed and authorised, in writing, to trade on behalf of the said client.

The DR's dealing in the said client's account constituted false trading activities/unethical trading as there were rollover activities in the said client's account. This gave rise to a false or misleading appearance of active trading or the market for the securities concerned.

The DR acted as a mere order taker instead of carrying out proper and reasonable assessment of clients' orders to ensure their instructions were executed in accordance with the rules requirements.

Information on this case can be found in the Media Release dated [23 February 2012](#).

C12: Account opening breaches and unauthorised trades

Six DRs were imposed fines ranging from RM1,000 to RM5,000 for they had failed to authenticate the application to open an account for their clients in the manner as required under the rules and falsely declared authentication of the account opening forms. In this regard, the account opening forms were not executed by the said clients in person before the DRs.

The sanctions imposed (i.e. amount of fine) depended on the severity/circumstances of the breach e.g. the number of accounts involved, whether there were unauthorised trades in the client's account and whether the client knew of the account opening.

In the case of 2 DRs, in addition to the account opening breach, the DRs were also fined for unauthorised trades. In this regard, one DR was imposed a fine of RM2,000 for he had carried out trades in his client's account without written authorisation. The DR claimed that the client had verbally informed him to deal with a third party. Hence, the DR had taken instructions from the third party who did not have the written authorisation from the client to trade on her behalf and allowed the client's account to be unlawfully used by the third party to undertake trading activities based on the third party's instructions.

C13: Abuse of client's monies by DR and supervisory breach by PO

Against DR:

In this case, one DR was imposed a public reprimand, fine of RM10,000 and 18 months restriction from being registered as a Registered Person for engaging in unethical activities, including making a false declaration resulting in wrongful payment of a client's monies to another client.

It was noted that:

- (a) the DR had made a false declaration that monies which were deposited by another client into the trust account of the PO belonged to his client, causing the PO to pay the said monies to his client who was not entitled to the monies;
- (b) the DR admitted that he had acted on the instructions of a third party when he declared that the monies deposited into the PO's trust account belonged to his client. This subsequently caused the PO's other client to incur losses; and
- (c) the DR's conduct by falsely declaring the monies which did not belong to his client based on representation by a third party, without proper due diligence, showed failure on his part to carry out his duties efficiently and fairly as a Registered Person.

Information on this case can be found in the Media Release dated [19 December 2011](#).

Against PO:

Arising from the misconduct by the above DR and another DR (who has since passed away), the PO was imposed a fine of RM15,000 and directives to rectify the breach including review its internal policies and procedures for:-

- (a) lapses / weaknesses of supervision / compliance system and monitoring / internal controls;
- (b) not having an appropriate internal risk management system to detect, monitor and control risks in relation to financial losses or legal suits arising from theft, fraud and other dishonest act and/or omissions; and
- (c) failure to ensure that clients' assets are adequately safeguarded,

in relation to the wrongful application/payment of monies paid by a client to the accounts of other clients (Wrongful Payments). In this regard, the Wrongful Payments were due to false declarations made by 2 DRs of the PO (who falsely declared that the monies belonged to their respective clients) upon the instructions of the PO's former employee.

It was noted that:-

- (i) the 2 DRs had raised forms to declare that the monies belonged to their respective clients (said Forms) and in processing the said Forms, the PO's staff merely relied on the information indicated in the said Forms;

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- (ii) the said Forms submitted by the 2 DRs were incomplete and were submitted after a long lapse of time after the date of deposits of the monies. However, there was no requirement in the PO's policies and procedures to seek clarification from clients if incomplete information is given in the said Forms. This showed lapses in the PO's internal controls and inadequacy of its policies and procedures at the material time as they did not cater for such situations/circumstances where there is a long lapse of time between the date of deposit by clients and date of submission of the said forms by DRs;
- (iii) there were red flags (e.g. long lapse of time between the dates of deposits of monies by clients and submission of the said forms, immediate withdrawals made shortly after submission of the said Forms) which should have alerted/raised the suspicion of the PO and/or its staff to undertake the necessary verification and checks. However, the PO's staff in charge of processing the said Forms did not undertake such checks including calling/checking with the clients for clarification and the said Forms were processed and monies were credited into the wrong clients' accounts and paid to them subsequently;
- (iv) the PO had placed unreasonable reliance on its DRs' declaration/indemnity in the said Forms. The declaration/indemnity by its DRs does not discharge the PO from its obligations under the Rules to ensure that client's monies are properly accounted for and protected at all times. It also does not discharge the PO from its duty to verify the veracity of the said Forms especially where there were red flags / circumstances which ought to have raised the suspicion of the PO and/or its staff to undertake the necessary verification; and
- (v) the client had suffered losses as a result of the Wrongful Payments.

C14: Unlawful/unethical activities/conduct by DRs/FBRs – (abuse of clients' accounts and monies, unauthorised trades etc)

In 2012:-

- ❖ One DR was imposed a public reprimand, fine of RM100,000 and ordered to be struck off from the Register for engaging in unlawful/unethical activities through her acts of misconduct and abuse of clients' accounts.

It was noted that:-

- (a) The DR's misconduct/unethical practice in handling her clients' accounts involved, amongst others:-
 - (i) carrying out unauthorised and personal trades in the clients' accounts over a period of time which she concealed with the issuance of fictitious documents to the clients and the changing of the correspondence addresses of the clients' accounts without their knowledge or consent;
 - (ii) failure to carry out trades in the clients' accounts as instructed by the clients; and
 - (iii) misappropriation or wrongful application of the clients' monies and shares for purposes not intended by the clients to the detriment of the clients.

In addition, there were executions of trades in a client's account without prior written authorisation from the client, but with instructions to trade received from another person.

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- (b) The mishandling and abuse of the clients' accounts were serious breaches as the DR had compromised the protection of her clients' interest. Losses were incurred in the clients accounts, while a client's paid shares were wrongfully forced sold to pay for the losses incurred as a result of the unauthorised trades. The DR had, thus, blatantly disregarded the relevant rules under the Rules of Bursa Securities.
- ❖ Another DR was imposed a public reprimand, fine of RM38,000 and ordered to be struck off from the Register for engaging in unlawful and unethical conduct in handling his client's account which involved, amongst others:-
 - (a) misuse of sales proceeds arising from the disposal of a client's shares by using a substantial part of the proceeds to unlawfully undertake purchases in the client's account and failing to inform the client of the disposal of shares, which showed his intention to conceal the share disposal and the misuse of the sales proceeds;
 - (b) carrying out numerous unauthorised transactions including using the aforementioned sales proceeds to unlawfully transact in the client's account over a period of several months without the client's instruction, knowledge and/or consent, resulting in losses in the client's account; and
 - (c) failure to carry out the client's instruction to sell all the shares in the client's account and upon the disposal of the shares, to pay the sales proceeds to the client.

Notwithstanding that the client was subsequently reimbursed the shortfall of the sales proceeds in the client's account by the DR after a complaint was made by the client, the misuse of the client's sales proceeds and the abuse of the client's account were serious breaches as the DR had compromised his client's interest. The DR's conduct showed that he had blatantly disregarded his obligations under the relevant Rules of Bursa Securities.

The two DRs' misconducts as detailed above brought into question their integrity and honesty as Registered Persons and rendered them unfit to remain in the industry as Registered Persons.

Information on these cases can be found in the Media Releases dated [20 January 2012](#) and [24 May 2012](#) respectively.

In 2013:-

- ❖ A FBR was imposed a public reprimand, fine of RM30,000 and struck off from the Register of Bursa Derivatives and Bursa Securities as a Registered Representative/Registered Person arising from the following misconducts/unethical and dishonest conducts:-
 - (a) The FBR had traded on a discretionary basis for his clients through a common account, i.e. the account of his brother-in-law (Client A), without his clients' written authorisation and without Client A's knowledge and/or consent.
 - (b) In relation to this, the FBR had traded in derivatives for several clients from one common account as if it was an omnibus account instead of opening an account for each client and carrying out their respective trades from their own accounts.

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- (c) The FBR had failed to ensure that the monies received from his clients were deposited into the accounts of each of the respective clients. Instead, the former FBR had deposited/caused the monies to be deposited into Client A's account and paid monies to various clients by withdrawing the monies from Client A's account.
- (d) The FBR had failed to consistently voice log his clients' trading instructions for the finding showed that not all order instructions from clients and trade confirmations were voice logged or recorded.
- (e) Arising from the FBR's misconduct of using one account to trade for several clients, the FBR had also allowed the sharing of or shared the profits amongst some of his clients and/or compensated his client(s) against losses suffered.
- (f) In addition, the evidence indicated that the FBR had tampered with/falsified documents relating to his clients' deposits to procure the TP to deposit the clients' monies into the account of Client A.

Information on these cases can be found in the Media Release dated [26 August 2013](#).

In 2014:-

- ❖ Two DRs were publicly reprimanded, imposed a fine of RM500,000 each and struck off from the Register for engaging in unlawful/unethical activities through the following acts of misconducts/unethical practices in handling the clients' monies and accounts:-
 - (a) failure to carry out trades in numerous clients' accounts as instructed by the clients and the carrying out of unauthorised/personal trades in the clients' accounts which were concealed by them through, amongst others, issuance of fictitious documents to the clients; and
 - (b) misappropriation/wrongful application of the clients' monies for purposes not intended by the clients to their detriment.

The mishandling and abuse of the clients' accounts/monies were serious breaches as the DRs had compromised the protection of their clients' interest. There were extensive misconducts by the DRs which involved numerous clients' accounts and significant amount of clients' monies being misappropriated by the DRs which were utilized for settlement of the DRs' personal trades or unauthorised purchases without the clients' knowledge and consent and not for the purposes intended by the clients.

In addition, one of the DRs had carried out numerous unauthorized/personal trades in the clients' accounts to churn brokerage and earned significant commission.

The DRs' fraudulent misconduct in dealing with the clients' monies and accounts, including falsifying documents and the misapplication or misappropriation of clients' monies, brought into question their integrity and honesty as a Registered Person. These misconducts rendered them unfit to remain in the industry as Registered Persons.

Information on these cases can be found in the Media Releases dated [21 May 2014](#).

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- ❖ A DR was publicly reprimanded, imposed a fine of RM20,000 and struck off from the Register for misconducts/breaches relating to account opening, unauthorised trades and misapplication of client's monies as follows:-
 - (a) In relation to the opening of a client's account (Client A), the DR had failed to authenticate the application to open an account for Client A in the manner required under the rules and falsely declared authentication of the account opening forms. In this regard, the account opening forms were not executed by the authorised personnel of Client A before the DR in person but instead, the forms were submitted to him by a third party (the Third Party).
 - (b) The DR had executed trades meant to be undertaken in Client A's account in another client's account (Client B) based on the instructions of the Third Party, without the written authorisation of Client B. The DR had used/allowed Client B's account to be used by the Third Party to execute the said trades and hence unlawfully transacted in Client B's account.
 - (c) In relation to substantial sums of monies deposited by Client A into PO A's trust account, based on purported instruction by the Third Party, the DR had applied or caused PO A to apply/pay the said monies to/for the benefit of Client B/Client B's account, who was not entitled to the said monies.
 - (d) The DR had failed to effectively and efficiently discharge his obligations as a DR for despite various red flags (i.e. immediate withdrawal of large sum of monies shortly after being deposited and Client B's financial background vis-à-vis the huge sums) which ought to have raised the DR's suspicion as to Client B's ability to undertake the trades in his accounts and/or make payments of big sums of monies, the DR did not undertake appropriate/further enquiries/verifications to ascertain if:
 - (i) the trades in Client B's account were authorised by the client and obtain Client B's written authorisation to allow the Third Party to give instructions to trade on Client B's behalf; and
 - (ii) the monies were deposited by Client B/the monies rightfully belonged to Client B.

The imposition of the sanctions of public reprimand, fine and striking off on the DR had taken into account various factors including that whilst there was no evidence of fraudulent conduct by the DR, his multiple misconducts and circumstances, the severity of the breaches committed by him and the significant losses caused to his client.

Information on these cases can be found in the Media Release dated [26 September 2014](#).

C15: Disclosing client's confidential trading information to 3rd party and failure to disclose DR's personal trades to PO

A DR was imposed a public reprimand, fine of RM20,000 and restricted from being registered as a Registered Person of Bursa Securities for 6 months and required to undergo educational programme arising from her misconducts/unethical conducts.

The DR had:

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- (a) disclosed a client's confidential trading information to a third party which she knew was used/to be used by the third party for trading; and
- (b) carried out her numerous personal trades in the accounts of her family members maintained with other POs over a period of time and profited from these trades which were concealed from or never disclosed to the PO she was employed.

In particular, the duty to preserve confidentiality of a client's trading information is one of the basic and fundamental obligations of a DR which must be observed at all times. Hence, Bursa Securities viewed the DR's misconducts seriously as she had breached the standard/code of conduct and etiquette expected of a DR. The DR's misconducts when viewed as a whole brought into question her integrity as a Registered Person of Bursa Securities and demonstrated failure on her part to uphold the integrity and professional standards expected of a responsible DR.

Information on this case can be found in the Media Release dated [21 December 2012](#).

C16: Failure to obtain authorisation from clients on appointment of DR, taking instruction from purported DR and failure to voice log clients' orders

One FBR was imposed a private reprimand, fine of RM10,000 and required to undergo educational programme, for the FBR had:-

- (a) failed to obtain written authorisation from his clients on the appointment of their Designated Representative; and
- (b) taken instructions from 1 Designated Representative to trade for a group of his clients, which is in breach of the prohibition against 1 Designated Representative acting for more than 1 client.

In addition, the FBR had failed to ensure that his clients' orders were audibly captured on an electronic storage media, or to complete and time stamp an order form prior to the entering of the same in the market as required by the rules. In this regard, it was noted that there were numerous instances over a period of several months where the clients' orders were not voice logged.

Action was also taken against the TP for supervisory and compliance breaches which included, amongst others, failure to detect and address/prevent the above breaches by the FBR (**See case D10 below**).



C17: Failure to comply with contract amendment rules

A Head of Dealing cum Director (HOD) of a PO was imposed a private reprimand, fine of RM2,400 and required to undergo educational programme for he had carried out a number of contract amendments which had resulted in a change of the original party to the contracts for reasons other than error in execution. The sanctions were imposed after considering the following:-

- (a) the HOD had carried out the contract amendments as the quantity transacted by the PO's institutional clients were too small to be booked-out (minimum book-out issue);
- (b) the PO's management and policies and procedures (P&P) had allowed the use of the contract amendment facility to address the minimum book-out issue of the PO's institutional clients;
- (c) there was no abuse of clients' accounts or using of one client's account to trade for another client;
- (d) notwithstanding (a), (b) and (c) above, the following were noted:
- (i) the potential abuse of clients' accounts to clients' detriment;
 - (ii) as the HOD, he ought to:-
 - have known that contract amendments carried out for reasons other than error (regardless of the PO's P&P) are not permissible under the rules;
 - ensure that all P&P of the PO including the P&P on contract amendments were in compliance with the rules. As the HOD, he was in the position to advise and ought to have advised the PO on whether its P&P which allowed the contract amendment mechanism to be used to effect the facilitation services to address the minimum book-out issue were in accordance with the rules;
 - have consulted/engaged Bursa Securities if there were uncertainties on how to address the minimum book-out issue but the HOD did not do so; and
 - be familiar with the rules and must ensure compliance with the rules and discharge his duties and responsibilities in a diligent manner and with proper skill and care.

C18: Failure to refrain from using clients' accounts as facilitating account

In 2014, a FBR was imposed a private reprimand, fine of RM10,000 and required to undergo mandatory training, for the FBR had carried out frequent as well as numerous trades in a several clients' accounts and subsequently transferred/amended the trades to the accounts of other clients, which indicated that he was using his clients' accounts as facilitating accounts (FAs).

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In this regard, it was noted that:-

- (a) The trades were executed under the FBR's default pre-set accounts to ensure fast execution. This indicated that he was using certain clients' accounts as FAs.
- (b) Notwithstanding that the trade transfers were subsequently approved by the Head of Operations of the TP, the FBR knew or ought to have known that he was prohibited from using clients' accounts as FAs.

The sanctions was imposed having considered the prohibition against using client's account as a FA was for the protection of the client's account. Hence, Bursa views the breach seriously in view of the potential abuse of the client's account which may arise if such a practice was not curbed.

Action was also taken against the TP for supervisory and compliance breaches which included allowing/failing to ensure that its FBRs refrained from using their clients' accounts as FAs (**See case D10, 4th case**).