

Bursa Malaysia Rules – Key Enforcement Cases in 2019

C. Cases of Misconducts by:

- (i) LP who undertook trades and/or had profit-sharing arrangement with clients of TPs; and
- (ii) DRs who executed trades pursuant to trading instructions relayed by a trading clerk (who was not allowed to take instructions from clients) without prior verification of trading instructions with clients.

Bursa Malaysia Derivatives/Bursa Malaysia Securities says:

- (a) LPs must perform their duties efficiently, honestly and fairly by ensuring that they:**
 - (i) do not sell or trade in Contracts for any other person other than themselves; and**
 - (ii) are not involved in any arrangement/agreement with the clients of a TP to trade for the clients and share the profits made from such trades.**
- (b) DRs (including SDRs) must exercise proper skill, care and diligence in executing trades for clients including refrain from acting on trading instructions from a person who is not authorised to trade for the clients/licensed to undertake dealing activities.**

Glossary:

Bursa Malaysia Securities: Bursa Malaysia Securities Berhad
Bursa Malaysia Derivatives: Bursa Malaysia Derivatives Berhad
DR: Dealer's Representative
LP: Local Participant

SDR: Salaried Dealer's Representative
TP: Trading Participant

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- (l) Bursa Malaysia Derivatives had imposed a public reprimand, fine and suspension on the following LP, the details of which can be found in the media release issued:

<u>No.</u>	<u>LP</u>	<u>Type of misconduct</u>	<u>Date of media release</u>
1.	Annie Tan Lee Phang	Abuse/misuse of privilege as a LP by: <ul style="list-style-type: none"> • Trading in Contracts for several third parties/clients of a TP, other than for herself; • Using clients' online trading accounts' user-IDs and passwords to access their online trading accounts for the execution of trades; and • Involving in a profit-sharing arrangement/agreement with a client for trades undertaken in the client's account. 	<u>13 December 2019</u>

Case C1: Execution of trades pursuant to trading instructions relayed by a trading clerk without prior verification of trading instructions with clients

- (1) Bursa Malaysia Securities had imposed a private reprimand and a fine of RM4,000 each on 2 SDRs for executing clients' trades based on instructions received from a trading clerk without prior verification of the trading instructions with the clients.

In this regard:-

- (a) The trading clerk had received the trading instructions from the clients and had relayed the same to the 2 SDRs.
- (b) The 2 SDRs had proceeded to execute the trades without prior verification of the instructions with the clients despite knowing that the trading clerk was not licensed to undertake dealing activities for clients (including taking instructions from the clients).
- (2) The sanctions, including fine, were imposed on the SDRs after taking into consideration, amongst others, the following:
- (a) the SDRs were experienced DRs who knew that the trading clerk should not be taking trading instructions directly from the clients. As such, they should not have acted on the trading instructions received from the trading clerk/executed the orders without prior verification with the clients. The SDRs should have advised the trading clerk to cease/refrain from taking instructions directly from the clients;

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- (b) the breach could potentially result in abuses of clients' accounts/unauthorised trades;
- (c) there was no evidence of dishonesty/fraud/ill-intention/bad faith on part of the SDRs or that they had committed the breach for their own benefit/to the clients' detriment;
- (d) none of the trades executed by the SDRs were disputed by the clients; and
- (e) the SDRs' admission/non-dispute of the breach committed by them.

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