

## Bursa Malaysia Rules – Key Enforcement Cases in 2017

### 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, fine and/or suspension 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.	<b>Wong Wing Haur</b>	<ul style="list-style-type: none"> <li>• driving up the price/increasing bids/price maintenance activities</li> <li>• marking the close activity</li> <li>• churning activities</li> <li>• co-ordinated cross trades</li> </ul>	<a href="#">21 August 2017</a>

#### Glossary:

Bursa Malaysia Securities: Bursa Malaysia Securities Berhad  
 Bursa Malaysia Derivatives: Bursa Malaysia Derivatives 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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No.	RP/DR	Type of market abuse/manipulative activities	Date of media release
2.	<b>Wong Min Jun</b>	<ul style="list-style-type: none"> <li>• driving up the price/increasing bids/price maintenance activities</li> <li>• marking the close activities</li> </ul>	<a href="#">12 October 2017</a>

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

### **Case B1: Bidding up activities and Order stacking and withdrawal**

- (1) Bursa Malaysia Securities had imposed the following sanctions on 2 DRs for engaging in manipulative trading activities in the securities of 3 counters (the 3 Counters):-

RP	Sanctions Imposed
DR A	(a) public reprimand via e-Rapid link; (b) fine of RM18,000; (c) 3 months suspension which was deferred for 2 years (Deferred Suspension); and (d) Mandatory Training.
DR B	(a) public reprimand e-Rapid link; (b) fine of RM16,000; (c) 3 months suspension which was deferred for 2 years (Deferred Suspension); and (d) Mandatory Training.

- (2) DR A and DR B (the 2 DRs) had engaged in manipulative/false trading activities in the 3 Counters through the accounts of their clients which involved/had the following characteristics:-

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- (a) the execution of trades through the aggressive bidding up activities (Bidding up) during certain trading intervals on certain trading days by the 2 DRs. The 2 DRs (who had common clients) took turns to push up the price of the 3 Counters that caused/influenced the share price to hit the limit up price; and
- (b) the 2 DRs placed buy orders at multiple price levels (Order stacking) and dominated the top first few levels at the bid side of the order book. Subsequently, they cancelled/withdrew these stacked buy orders when the share prices of the 3 Counters hit the limit up price. These artificial buy orders entered by the 2 DRs were not intended to be traded but to facilitate the selling of their clients' shares at higher/better prices.

These activities of Bidding up and Order stacking had created a false/misleading appearance of the market for, activities in and the price of the 3 Counters for they had caused an increased and sustained demand/market for these securities and impacted the share price.

- (3) Through these manipulative activities by the 2 DRs in the 3 Counters (that were generally illiquid and barely traded prior to the breaches by them) on certain trading days:-
  - (a) the market was led to believe that there was continuous demand for these securities at higher prices from various participants without the market knowing that these were false market activities with orders and trades emanating from the 2 DRs; and
  - (b) the order book was distorted by the Order stacking activities as the entry and subsequent cancellation of the stacked buy orders had caused the buy order volumes to fluctuate artificially. There was an appearance of substantial increase at the buy side of the order book upon entry of these multiple buy orders at various price levels and a sharp depletion of demand upon cancellation of these buy orders causing the bid price to drop drastically.
- (4) The Deferred Suspension imposed on the 2 DRs was to ensure that the 2 DRs do not commit another dealing related breach(es). Thus, the 3 months suspension was deferred and will be waived if the 2 DRs do not commit another dealing related breach(es) within 2 years.

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### **Case B2: Bidding up activities, Order stacking and withdrawal and Marking the close activities**

- (1) A SDR was imposed a public reprimand via e-Rapid link, fine of RM32,000, 5 months' suspension and Mandatory Training for engaging in manipulative trading activities in the securities of one counter through the account of an institutional client of a PO (the Client) for a period of over a month (the Relevant Period)/ The manipulative trading activities involved/had the following characteristics (Manipulative Trading Activities):-
  - (a) the execution of increasing bid trades (IB Trades) through the entry of buy orders at prices higher than the prevailing market prices in the Client's account coupled with the activity of stacking of buy orders at various price levels which had narrowed the best bid and ask price spread and had driven up the share price of the counter or maintained the share price at certain levels; and
  - (b) the execution of marking the close trades (Marking the Close activities) through the entry of buy orders at prices higher than the last traded price (LTP)/prevailing Theoretical Closing Price during the pre-closing phase. The matching of these orders during the Trading-at-Last phase had resulted in either the closing price of the counter to surge and close at the day high or at a price higher than the LTP.
- (2) These Manipulative Trading Activities:-
  - (a) had dictated the direction of the share price of the counter and consequently influenced its closing price for the purpose of facilitating/which ultimately facilitated the execution of On-Market Married Transactions (OMMTs) (which could only be traded at/between the best bid/ask price) between the Client and another client of the PO at higher prices; and
  - (b) had created a false/misleading appearance of the market for, activities in and the price of the securities of the counter during the Relevant Period.
- (3) Despite the clear patterns of repetitive driving up the price via IB Trades including in small quantity and the aggressive buying activities undertaken at higher prices during the pre-closing phase and with the SDR's role in the execution of some of the OMMTs at higher prices (which was made possible by the IB Trades and Marking the Close activities which raised/maintained the prices at certain levels),

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the SDR had engaged in/failed to refrain the Client from the Manipulative Trading Activities during the Relevant Period.

In both Case B1 and Case B2, the sanctions were imposed on the DRs taking into consideration all facts and circumstances, including the severity, extent and impact of the breaches and the conduct of the DRs and their co-operation with Bursa Malaysia Securities in the enforcement action against them by admitting/not disputing the breaches, hence resulting in earlier resolution of the case. 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 admission of the breaches).

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