

Bursa Malaysia Rules – Key Enforcement Cases in 2015

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 refrain from 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 manipulative activities</u>	<u>Date of media release</u>
1.	Hong Choe Hoar	<ul style="list-style-type: none"> • cross trades • order slicing/splitting 	3 August 2015

Glossary:

Bursa Malaysia Securities: Bursa Malaysia Securities Berhad
 Bursa Malaysia Derivatives: Bursa Malaysia Derivatives Berhad
 CDR: Commissioned Dealer's Representative
 CMSA: Capital Markets & Services Act 2007
 CMSR: Capital Market Services Representative
 DR: Dealer's Representatives
 FBR: Futures Broker's Representative

Mandatory Training: Requirement to undergo training on conduct or professionalism of DRs/Registered Persons/Head of Dealing/Compliance Officer/market offences
 PO: Participating Organisation
 RP: Registered Person
 RR: Registered Representative
 SC: Securities Commission
 TP: Trading Participant

Bursa Malaysia Rules – Key Enforcement Cases in 2015

<u>No.</u>	<u>RP/DR</u>	<u>Type of market manipulative activities</u>	<u>Date of media release</u>
		<ul style="list-style-type: none"> manipulation of Theoretical Opening Price 	
2.	Yap Yeng Chong	<ul style="list-style-type: none"> rollover activities cross trades 	25 June 2015
3.	Chang Mee Yee	<ul style="list-style-type: none"> rollover activities cross trades 	25 June 2015
4.	Ng Soo Ging	<ul style="list-style-type: none"> churning rollover activities order slicing 	28 May 2015
5.	Jeremy Hiew Jian Chiang	<ul style="list-style-type: none"> increasing bids activities order book manipulation 	28 May 2015
6.	Tan Kai Kiat	<ul style="list-style-type: none"> cross trades executing artificial buy orders order book manipulation 	19 March 2015
7.	Hon Sook Yin	<ul style="list-style-type: none"> driving up the price activities rollover activities cross trades 	2 March 2015
8.	Ang Kian Chuan	<ul style="list-style-type: none"> rollover activities cross trades unauthorised trades 	2 March 2015
9.	Koh Pee Beng	<ul style="list-style-type: none"> churning activities rollover activities 	24 February 2015

Glossary:

Bursa Malaysia Securities: Bursa Malaysia Securities Berhad
 Bursa Malaysia Derivatives: Bursa Malaysia Derivatives Berhad
 CDR: Commissioned Dealer's Representative
 CMSA: Capital Markets & Services Act 2007
 CMSR: Capital Market Services Representative
 DR: Dealer's Representatives
 FBR: Futures Broker's Representative

Mandatory Training: Requirement to undergo training on conduct or professionalism of DRs/Registered Persons/Head of Dealing/Compliance Officer/market offences
 PO: Participating Organisation
 RP: Registered Person
 RR: Registered Representative
 SC: Securities Commission
 TP: Trading Participant

Bursa Malaysia Rules – Key Enforcement Cases in 2015

No.	RP/DR	Type of market manipulative activities	Date of media release
		<ul style="list-style-type: none"> • driving up the price activities • false market activities of order entry/stacking/withdrawal 	
10.	Lim Chin Wat	<ul style="list-style-type: none"> • churning activities • rollover activities 	26 January 2015

- (II) Bursa Malaysia Securities had also imposed a 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: Trades with No Change in Beneficial Ownership (NCBO trades)

- (1) Bursa Malaysia Securities had imposed the following sanctions on the following RPs arising from/in relation to dealing activities undertaken in a client's account which had resulted in NCBO trades:-

RP	Sanctions Imposed
HOD	private reprimand, fine of RM50,000 and Mandatory Training
DR A	private reprimand, fine of RM10,000 and Mandatory Training
DR B & DR C	private reprimand, fine of RM5,000 and Mandatory Training

- (2) Based on a client's instructions to buy and sell shares of several counters which were to be executed on the same day, the 3 DRs had undertaken the dealing activities in the following manner:-
- (a) via On-Market Married Transaction (OMMT) whereby DR A had entered both the sell and buy orders for several counters and instructed DR B to do the same for several other counters, resulting in the matching of their sell and buy orders against each other (1st NCBO Trades). The 1st NCBO Trades were subsequently amended to the PO's error account;

Glossary:

Bursa Malaysia Securities: Bursa Malaysia Securities Berhad
 Bursa Malaysia Derivatives: Bursa Malaysia Derivatives Berhad
 CDR: Commissioned Dealer's Representative
 CMSA: Capital Markets & Services Act 2007
 CMSR: Capital Market Services Representative
 DR: Dealer's Representatives
 FBR: Futures Broker's Representative

Mandatory Training: Requirement to undergo training on conduct or professionalism of DRs/Registered Persons/Head of Dealing/Compliance Officer/market offences
 PO: Participating Organisation
 RP: Registered Person
 RR: Registered Representative
 SC: Securities Commission
 TP: Trading Participant

Bursa Malaysia Rules – Key Enforcement Cases in 2015

- (b) after the 1st NCBO Trades had been amended to the PO's error account, DR A and DR B had entered corresponding sell and buy orders of the same quantities simultaneously/within split seconds to one another for the same counters (as the 1st NCBO Trades) in the open market which resulted in the matching of the orders against each other, hence the NCBO Trades via open market (2nd NCBO Trades); and
 - (c) a few days after the 1st and 2nd NCBO Trades were executed, DR C had within split seconds entered the sell orders followed by corresponding buy orders in the same quantities and at the same price as the sell orders in the open market which resulted in the matching of the orders against each other, hence the NCBO Trades via open market (3rd NCBO Trades).
- (3) Actions were taken against:
- (a) the HOD for she had:-
 - (i) failed to prevent/restrain and/or condoned/allowed the execution of the 1st NCBO Trades and the recurrence of NCBO trades i.e. the 2nd and 3rd NCBO Trades executed in the open market; and/or
 - (ii) failed to supervise including notifying DRs A, B and C to ensure that the trades for the counters were not undertaken in such a manner which could result in NCBO trades.
 - (b) the 3 DRs who executed the NCBO Trades despite being aware of the possibility that the instructions to buy and sell for the client, which were to be executed on the same day, could possibly result in NCBO Trades and that NCBO Trades were not allowed in Malaysia and a system generated alert.
- (4) The sanctions were imposed on the HOD having considered, amongst others, the following:-
- (a) The role and responsibilities as a HOD including the supervision of trades undertaken in compliance with the rules.
 - (b) The number of counters and the substantial amount of NCBO trades involved.
 - (c) Despite being aware of the possibility of the opposing buy and sell orders being matched against each other as advised by the Compliance Officer and Bursa Malaysia Securities:-

Glossary:

Bursa Malaysia Securities: Bursa Malaysia Securities Berhad
Bursa Malaysia Derivatives: Bursa Malaysia Derivatives Berhad
CDR: Commissioned Dealer's Representative
CMSA: Capital Markets & Services Act 2007
CMSR: Capital Market Services Representative
DR: Dealer's Representatives
FBR: Futures Broker's Representative

Mandatory Training: Requirement to undergo training on conduct or professionalism of DRs/Registered Persons/Head of Dealing/Compliance Officer/market offences
PO: Participating Organisation
RP: Registered Person
RR: Registered Representative
SC: Securities Commission
TP: Trading Participant

Bursa Malaysia Rules – Key Enforcement Cases in 2015

- (i) the HOD had allowed/instructed DR A to proceed to execute the trades which resulted in the 1st NCBO Trades via OMMT;
- (ii) thereafter, the HOD had left it to the DRs to execute the subsequent trades i.e. the 2nd NCBO Trades via open market and failed to prevent the same.

The HOD's failure to prevent the 2nd NCBO Trades had led DR C to execute the 3rd NCBO Trades a few days after on the premise that the 2nd NCBO Trades were put through the market and/or after the HOD had informed him that the trades could be executed.

- (d) The HOD had failed to seek further clarifications despite being advised to do so and the uncertainties/signs that should have alerted the HOD that her understanding of the issues might be inaccurate. Instead, the HOD had proceeded to allow/instruct or failed to prevent/refrain the execution of the 2nd and 3rd NCBO Trades and/or monitor the trading activities of the 3 DRs to ensure that the client's orders did not result in NCBO trades. Hence, the HOD had abdicated/failed to effectively discharge her supervisory responsibility.
- (5) The sanctions were imposed on the DRs having taken into consideration, amongst others, the following:-
- (a) The differing roles played by the 3 DRs i.e.:-
 - (i) DR A played a primary role in executing and instructing DR B to execute the 1st and 2nd NCBO Trades, and DR B had acted and relied on DR A's instructions without further queries/objections.
 - (ii) DR A and DR C's role vis-à-vis their lesser/non-involvement in the conversation with the Compliance Officer/Bursa Malaysia Securities in the said matter.
 - (b) As SDRs, the 3 DRs did not gain any commission from the NCBO Trades.
 - (c) The asserted mitigating factors put forth by the DRs e.g., evidence/impact of financial hardship.

Glossary:

Bursa Malaysia Securities: Bursa Malaysia Securities Berhad
Bursa Malaysia Derivatives: Bursa Malaysia Derivatives Berhad
CDR: Commissioned Dealer's Representative
CMSA: Capital Markets & Services Act 2007
CMSR: Capital Market Services Representative
DR: Dealer's Representatives
FBR: Futures Broker's Representative

Mandatory Training: Requirement to undergo training on conduct or professionalism of DRs/Registered Persons/Head of Dealing/Compliance Officer/market offences
PO: Participating Organisation
RP: Registered Person
RR: Registered Representative
SC: Securities Commission
TP: Trading Participant

Bursa Malaysia Rules – Key Enforcement Cases in 2015

Case B2: Trades with No Change in Beneficial Ownership (NCBO trades)

- (1) A CDR was imposed a private reprimand, fine of RM17,000, 3 months' suspension and Mandatory Training for the CDR had carried out dealing activities in a counter over a period of several months involving the execution of buy orders and sell orders at/about the same price within close proximity of time in her client's trading and pledged accounts which resulted in NCBO trades.
- (2) In imposing the sanctions on her, various factors were taken into consideration including the CDR's admission/non-denial of the finding of breach and the sanctions against her, her asserted medical condition/hardship and other mitigating factors/remedial actions undertaken by the CDR i.e. that the CDR had immediately stopped such activities upon being informed of the breach and had taken steps to educate her clients thereafter.

Glossary:

Bursa Malaysia Securities: Bursa Malaysia Securities Berhad
Bursa Malaysia Derivatives: Bursa Malaysia Derivatives Berhad
CDR: Commissioned Dealer's Representative
CMSA: Capital Markets & Services Act 2007
CMSR: Capital Market Services Representative
DR: Dealer's Representatives
FBR: Futures Broker's Representative

Mandatory Training: Requirement to undergo training on conduct or professionalism of DRs/Registered Persons/Head of Dealing/Compliance Officer/market offences
PO: Participating Organisation
RP: Registered Person
RR: Registered Representative
SC: Securities Commission
TP: Trading Participant