

PARTICIPATING ORGANISATIONS' CIRCULAR

Date: 26 January 2015

No : G 1 of 2015

Enforcement Action Pursuant to the Rules of Bursa Malaysia Securities Berhad

26 JANUARY 2015

BURSA MALAYSIA SECURITIES REPRIMANDS, FINES AND SUSPENDS LIM CHIN WAT FOR ENGAGING IN MANIPULATIVE DEALING ACTIVITIES

Bursa Malaysia Securities Berhad (635998-W) (Bursa Malaysia Securities) has publicly reprimanded, imposed a fine of RM140,000 and suspended/restricted (as the case may be) Lim Chin Wat (LCW) for 12 months as/from being a Registered Person, for engaging in manipulative dealing activities in the securities of Magna Prima Berhad (MAGNA). LCW was further required to undergo training on conduct or professionalism of DRs/market offences (Mandatory Training).

LCW, who was at the material time of the breach a Commissioned Dealer's Representative (CDR) of Kenanga Investment Bank Bhd at its The Curve, Mutiara Damansara branch, had contravened and/or triggered the provisions of Rules 401.1(3), 404.3(1)(a) and (c) and 1302.1(1)(a)&(g) of the Pre-Revamped Rules of Bursa Malaysia Securities.

Bursa Malaysia Securities places a strong emphasis on the need to maintain a fair and orderly market and will not tolerate any acts or practices which could lead to false trading, manipulative activities and/or compromise the integrity of the market. Bursa Malaysia Securities will not hesitate to take appropriate actions against anyone who engages in such misconduct which commensurate with the severity of the breach, including suspension/ restriction/striking off a Registered Person from the Register and imposition of fines.

BACKGROUND

The finding of the breach and the imposition of the sanctions on LCW were made pursuant to Rule 15.02 of the Rules of Bursa Malaysia Securities after according due process to LCW and taking into consideration all facts and circumstances, including that:-

- (1) LCW had carried out dealing activities in MAGNA shares over a period of time in the accounts of his clients who are his wife, father and sister (LCW's clients)

involving churning and rollover activities which had created a false or misleading appearance of active trading in, the market for and/or the price of the securities (False/Misleading Appearance) of MAGNA. The characteristics and impact of LCW's dealing activities were as follows:-

- (a) the active buying and selling in MAGNA shares at/about the same price in his three family members' accounts through numerous series of buy and sell orders rolled-over and churned (Rollover and Churning activities);
 - (b) the Rollover and Churning activities were carried out on an almost daily basis over a period of several months which involved the sales undertaken to close off purchases in these clients' accounts on/prior to the due dates for settlement and on the same day, fresh purchases were made in another client's account;
 - (c) these Rollover and Churning activities had enabled the purchase positions of LCW's clients to be rolled over to the next trading cycle(s) whilst having MAGNA shares retained within this group of LCW's clients' accounts and prolonged their holding period;
 - (d) the repeated active buying and selling activities/Churning activities were also noted to have been frequently matched to opposing orders from certain brokers that had supported each other's opposing orders/trades, indicating cross/pre-arranged trades that were not subject to natural market forces of supply and demand; and
 - (e) the Churning and Rollover activities had created False/Misleading Appearance of increased activity and demand of MAGNA shares in the market with its price being traded/maintained/dictated at certain levels.
- (2) As a Registered Person acting in the capacity as a Dealer's Representative (DR), LCW was obligated to carry out his duties including ensuring maintenance of a fair and orderly market and fair dealing. As such, it is not acceptable for LCW to justify that he was merely executing orders as instructed by his clients/act (i.e. act as a mere order-taker) without making proper assessment of the orders received/executed and exercising reasonable due care and diligence in undertaking dealing activities for his clients so as to avoid/prevent/refrain from any manipulative/false dealing activities.
- (3) As a DR, LCW must at all times:
- (a) observe professional standards of integrity and fair dealing including exercise due care and diligence in the execution of trades;

- (b) carry out his duties efficiently and in a manner which contributes to the maintenance of a fair and orderly market; and
- (c) avoid or refrain from engaging or becoming a party to, or getting involved in any acts or practices which might lead to a false/misleading appearance of active trading in, the market for or price of the securities.

-End-

Head, Enforcement

ADDENDUM

Rules 401.1(3), 404.3(1)(a) and (c) and 1302.1(1)(a) & (g) of the Pre-Revamped Rules of Bursa Malaysia Securities (the Rules) state, amongst others, that:

- DRs shall avoid any act or practice which might lead to a false or misleading appearance of active trading in any securities on the stock market of the Exchange or a false or misleading appearance with respect to the market for, or the price of, any such securities or directly or indirectly be tantamount to stock market manipulations;
- every DR employed or engaged by the Participating Organisation shall at all times observe professional standards of integrity and fair dealing, and conduct their business in a manner which contributes to the maintenance of a fair and orderly market; and
- any Participant who, in any circumstances, directly or indirectly commits a breach of or violates any of the Rules or fails to perform his/her duties efficiently, honestly or fairly shall be liable and be dealt with in accordance with the provisions of the Rules relating to the same.