

PARTICIPATING ORGANISATIONS' CIRCULAR

Date: 2 March 2015

No : G 3 of 2015

Enforcement Action Pursuant to the Rules of Bursa Malaysia Securities Berhad

2 MARCH 2015

BURSA MALAYSIA SECURITIES REPRIMANDS, FINES AND SUSPENDS HON SOOK YIN AND ANG KIAN CHUAN FOR ENGAGING IN MANIPULATIVE DEALING ACTIVITIES

Bursa Malaysia Securities Berhad (635998-W) (Bursa Malaysia Securities) has publicly reprimanded, fined and suspended two (2) Dealer's Representatives (DRs) for engaging in manipulative/false dealing activities in the securities of Notion Vtec Berhad (NOTION). In addition, they are further required to undergo training on conduct or professionalism of DRs/market offences (Mandatory Training).

The DRs are as follows:-

Details of DR	Sanctions Imposed
Hon Sook Yin (HON)	Public reprimand, fine of RM100,000, 12 months Suspension and Mandatory Training
Ang Kian Chuan (ANG)	Public reprimand, fine of RM40,000, 3 months Suspension and Mandatory Training

HON had contravened and/or triggered the provisions of Rules 401.1(3), 404.3(1)(a) & (c) and 1302.1(1)(a) & (g) of the Pre-Revamped Rules of Bursa Malaysia Securities in regard to the manipulative/false trading activities of NOTION shares over a period of about two months in a client's account.

ANG had contravened and/or triggered the provisions of Rules 401.1(3), 404.3(1)(a) & (c), 404.3(6)(b) and 1302.1(1)(a) & (g) of the Pre-Revamped Rules of Bursa Malaysia Securities in regard to the manipulative/false trading activities of NOTION shares over a period of about a month in several clients' accounts based on trade instructions from an unauthorised third party.

The findings of the breach and imposition of the sanctions on HON and ANG were made pursuant to Rule 15.02 of the Rules of Bursa Malaysia Securities after according due process to HON and ANG and taking into consideration all facts and circumstances, including the severity of the breach and the conduct of these two DRs.

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/striking off a Registered Person from the Register and imposition of fines. In this regard, DRs must:-

- (a) observe professional standards of integrity and fair dealing including exercise due care and diligence in the execution of trades;
- (b) carry out their duties as DRs efficiently, fairly and in a manner which contributes to the maintenance of a fair and orderly market;
- (c) not act as mere order-takers without making proper assessment of the orders received and executed and impact to the market in ensuring market orderliness/integrity; and
- (d) 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.

BACKGROUND

(1) Breaches by HON

HON, who was at the material time of the breach a Commissioned DR of HwangDBS Investment Bank Berhad at its Taman Tun Dr. Ismail Branch, had engaged in manipulative/false trading activities of NOTION shares in a client's account. The manipulative/false trading activities involved:-

- (a) Price manipulation by HON on numerous trading days by executing increasing bids buy orders, at prices higher than the last done price in her client's account, including using small quantities (100 units) buy orders which were undertaken to influence/dictate NOTION share price movement to be sustained at/moved to certain price levels to enable profitable trades for her client. (Bidding Up/Driving Up the Price activities).

- (b) HON undertook these manipulative activities by rolling over and passing on a block of NOTION shares which were bought earlier at a lower price (Rollover Activities).
- (c) In the Rollover Activities, there were a series of on-market cross trades executed by HON deliberately matching her client's buy and sell trades on the due dates for settlement to the opposing orders of ANG (Cross Trades or Cross Trading) giving rise to false market activities. These Cross Trading activities had resulted in significant spikes in the trading volume of NOTION shares on the relevant trading days.
- (d) These activities had impacted the market, activity and the price of NOTION shares and thus created artificial volume and active demand as well as artificial volatility of price that induced investors to trade which had facilitated her client's selling.

By engaging in the above manipulative trading activities of Bidding Up, Cross Trading and Rollover, HON's client had gained substantial profits in her series of buying and selling through several trading cycles of trading activities in her account.

(2) Breaches by ANG

ANG, who was at the material time of the breach a Salaried DR of OSK Investment Bank Berhad at its Kuala Lumpur Branch, had engaged in manipulative/false trading activities of NOTION shares in several clients' accounts which involved:-

- (a) The execution of a series of on-market Cross Trades in ANG's clients' accounts in supporting the Rollover Activities of HON on the due dates for settlement by matching his clients' opposing buy and sell trades to the opposing orders of HON on numerous trading days, giving rise to false market activities. These Cross Trading and Rollover activities had resulted in significant spikes in the trading volume of NOTION shares on the relevant trading days.
- (b) In addition, ANG had acted on the instructions from an unauthorised third party in respect of the execution of trades in NOTION shares in his clients' accounts without their written authorization.

By HON and ANG engaging in the aforesaid trading misconducts/facilitating their clients to trade through creation of false market activities/manipulative trading, the investing public's interests and market integrity/orderliness were compromised. The investing public was deceived by the false appearance of the artificial price movement,

increased/inflated/strong demand or trading volume of NOTION shares which were artificially created by, amongst others, the on-market pre-arranged Cross Trades and Rollover of trades among the clients of these two DRs, not knowing that these activities emanated from the two DRs.

HON and ANG had not acted responsibly as expected of DRs who were obligated under the rules to undertake dealing activities in such a manner so as to ensure fair dealing and contribute to the maintenance of a fair and orderly market for the securities concerned and to observe professional standards of integrity. In carrying out dealing activities in the clients' accounts, these two DRs had, amongst others:-

- (a) acted as mere order-taker without due regard to market orderliness;
- (b) acted recklessly/failed to exercise reasonable due care and diligence in undertaking dealing activities for the clients that involved, amongst others, the Bidding Up and Rollover activities by HON in addition to the coordinated/Cross Trading Activities which constituted manipulative trading by both HON and ANG;
- (c) failed to be alerted of the irregularities of the clients' trades and to undertake due inquiry in light of the characteristics and implications of the trades; and
- (d) in the case of ANG, he had taken instructions from a third party with regards to his clients' accounts without written authorisation procured from these clients.

In imposing the sanctions on the two DRs, various factors were taken into account including:-

- (i) the extent and impact of the manipulative trading activities as well as severity of breach committed by each of them;
- (ii) the differing roles played by/extent of the involvement of these DRs (including the primary/main role played by HON and the secondary role of ANG respectively);
- (iii) the financial benefits/commission derived by the DR concerned; and
- (iv) the asserted mitigating factors put forth e.g., remedial acts and evidence/impact of financial hardship.

-End-

Head, Enforcement

ADDENDUM

Rules 401.1(3), 404.3(1)(a) & (c), 404.3(6)(b) 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 (PO) 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;
- no PO, Head of Dealing and DR shall, prior to obtaining written authorisation from a client, accept or act on any instruction received from any other person purporting to act on behalf of that client; 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.