

PARTICIPATING ORGANISATIONS' CIRCULAR

Date: 19 March 2015

No : G 4 of 2015

Enforcement Action Pursuant to the Rules of Bursa Malaysia Securities Berhad

19 MARCH 2015

BURSA MALAYSIA SECURITIES REPRIMANDS, FINES AND ORDERS TO STRIKE OFF TAN KAI KIAT FOR ENGAGING IN MANIPULATIVE DEALING ACTIVITIES

Bursa Malaysia Securities Berhad (635998-W) (Bursa Malaysia Securities) has publicly reprimanded, imposed a fine of RM312,000 and ordered to strike off Tan Kai Kiat (TKK) if he was still a Registered Person of Bursa Malaysia Securities, for engaging in manipulative dealing activities in numerous counters/securities as follows:-

- (i) Oriental Holdings Bhd-CC (ORIENT-CC);
- (ii) Genting Plantations Bhd-CC (GENP-CC);
- (iii) PPB Group Bhd-CF (PPB-CF);
- (iv) IJM Plantations Bhd-CC (IJMPLNT-CC);
- (v) Land & General Bhd-LR (L&G-LR);
- (vi) Integrated Rubber Corporation Bhd (IRCB);
- (vii) Narra Industries Bhd (NARRA);
- (viii) CIMB Group Holdings Bhd (CIMB) and CIMB-CZ;
- (ix) DRB-Hicom Bhd (DRBHCOM) and DRBHCOM-C2;
- (x) Malaysian Bulk Carriers Bhd (MAYBULK) and MAYBULK-CN; and
- (xi) UEM Sunrise Bhd (UEMS) and UEMS-C6.

TKK, who was at the material time of the breach a Salaried Dealer's Representative (SDR) of HwangDBS Investment Bank Berhad (HDBS) at its Principal Office/Penang office, 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 and the equivalent provisions under the current Rules of Bursa Malaysia Securities.

Bursa Malaysia Securities views seriously all breaches involving unethical trading misconduct that impinge on the integrity and professional conduct/etiquette or which compromise the integrity and honesty of a Registered Person. 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 market integrity or public confidence. Bursa Malaysia Securities will

not hesitate to take appropriate actions against anyone who engages in such misconduct or fails to carry out his duties honestly with utmost integrity and impose sanctions which commensurate with the severity of the breach, including 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 TKK were made pursuant to Rule 15.02 of the Rules of Bursa Malaysia Securities after according due process to TKK and taking into consideration all facts and circumstances, including that:-

- (1) TKK had engaged in numerous manipulative/false dealing activities as well as failed to act honestly, fairly and observe standards of integrity in undertaking dealing activities in the Investment Account of HDBS (HDBS' IVT Account) over a period of approximately 9 months for he had through his managing/operating of HDBS' IVT Account as well as the trading accounts of his family members (i.e., his sister and mother) maintained at another broking firm:-
 - (a) deliberately executed on-market pre-arranged cross trades (Cross Trades/Cross Trading activities) in the securities of 8 counters by entering/matching the opposing orders in HDBS' IVT Account with the online trades of his family members. These Cross Trading activities were undertaken by TKK with dishonest intent to benefit his family members by ensuring profitable trades in their accounts to the detriment of HDBS' IVT Account which suffered losses arising from these trades;
 - (b) executed artificial buy orders by entering multiple orders in another 3 counters on several trading days which were repeatedly modified/amended including increasing the order size of these buy orders so as to lose/lower priority whenever these buy orders moved into priority queue. These artificial buy orders were subsequently cancelled/withdrawn which indicated that they were not intended to be traded (Artificial Buy Orders); and
 - (c) facilitated the disposals of related structured warrants in his mother's account by engaging in order book manipulation in the underlying shares of 4 counters. This was done by TKK entering a series of small quantity buy orders at various price levels at/near limit up price (towards the end of pre-opening phase) which caused the best bid of the underlying shares to move up to the limit up price. These upwards price changes to the underlying shares had triggered/influenced the upwards revisions of the bid and offer quotes of the related structured warrants and pushed his mother's sell orders for these related structured warrants to the priority queue. The selling of the

related structured warrants in TKK's mother's account were done at the selling price desired by TKK through his order book manipulation and this had enabled significant profits being made in his mother's account.

- (2) The above manipulative/false trading activities by TKK had created false/misleading appearance in the relevant securities in regard to the trading activities in/market for/the price of these securities including the giving rise of artificial inflated volume through the Cross Trades done at prices which were being dictated/determined by TKK.
- (3) As a Registered Person acting in the capacity as a Dealer's Representative (DR), TKK was obligated to carry out his duties including ensuring maintenance of a fair and orderly market, refrain from manipulative/false dealing activities as well as act honestly and in the best interest of his clients.
- (4) The imposition of the sanctions including the fine and striking off on TKK had taken into account:-
 - (a) the dishonest and fraudulent trading misconducts of TKK driven by his motive for ill-gotten gains/profits made to his and his family members' benefits;
 - (b) the extent of the aforesaid manipulative activities on numerous counters which had impacted the market/price and caused disorderliness to the market for these securities; and
 - (c) TKK putting himself in conflicting situations by placing his/his family members' interests ahead of his responsibility as a Registered Person in his capacity as a DR, which had brought into question whether he was a fit and proper person to be a Registered Person.
- (5) As a DR, TKK must at all times:-
 - (a) observe professional standards of integrity and fair dealing;
 - (b) carry out his duties efficiently and in a manner which contributes to the maintenance of a fair and orderly market;
 - (c) act honestly and in the best interest of the Participating Organisation/clients; 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.

-End-

Head, Enforcement

ADDENDUM

Rules 401.1(3), 404.3(1)(a) & (c) and 1302.1(1)(a) & (g) of the Pre-Revamped Rules of Bursa Malaysia Securities 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 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; 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 duties efficiently, honestly or fairly shall be liable and be dealt with in accordance with the provisions of the Rules relating to the same.

Rules 3.14(d), (e), (f) & (g), 5.01(b) and paragraph 1.1(1)(h) of the POs' Directive No. 5-001 of the Rules of Bursa Malaysia Securities (which came into effect on 3 May 2013) state, amongst others, that:

- a Registered Person must observe professional conduct, standards of integrity and fair dealing, exercise proper skill, care and diligence, act honestly and in the best interest of the Client and the PO, and carry out the Registered Person's duties in a manner that contributed to the maintenance of an orderly and fair stock market;
- a PO and Registered Person must, in the conduct of the PO's business, not through any act or omission, do anything which may result in or has the effect of the market not being orderly and fair; and
- a PO and Registered Person must not engage in any act or practice that 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 manipulation.