

PARTICIPATING ORGANISATIONS' CIRCULAR

Date: 6 September 2016

No : G 12 of 2016

Enforcement Action Pursuant to the Rules of Bursa Malaysia Securities Berhad

6 September 2016

BURSA MALAYSIA SECURITIES REPRIMANDS, FINES AND SUSPENDS MOHAN A/L ARIMUTHU FOR ENGAGING IN MANIPULATIVE DEALING ACTIVITIES

Bursa Malaysia Securities Berhad (635998-W) (Bursa Malaysia Securities) has publicly reprimanded, imposed a fine of RM52,000 and suspended/restricted (as the case may be) Mohan A/L Arimuthu (Mohan) for 10 weeks as/from being a Registered Person of Bursa Malaysia Securities, for engaging in manipulative dealing activities in the securities of 4 counters (the 4 Counters), namely:-

- (i) AHB Holdings Bhd;
- (ii) BIMB Holdings Bhd;
- (iii) Eden Inc. Bhd; and
- (iv) Damansara Realty Bhd.

In addition, Mohan was required to undergo training on conduct or professionalism of Dealer's Representatives (DRs)/market offences (Mandatory Training).

Mohan, who was at the material time of the breach a Proprietary Day Trader of CIMB Investment Bank Berhad (CIMB) at its Principal Office, had contravened and/or triggered the provisions of Rules 3.14(d), (e) & (g) and 5.01(b) of the Rules of Bursa Malaysia Securities and paragraph 1.1(1)(h) of the Directives No. 5-001 of the Participating Organisations' Directives and Guidance (POs' Directives) as well as the equivalent provisions under the Pre-Revamped Rules of Bursa Malaysia Securities.

Bursa Malaysia Securities places 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.

BACKGROUND

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

- (1) In his orders/trading activities in the 4 Counters on certain trading days, Mohan had engaged in the false market activities of placing artificial buy orders i.e., the relatively/disproportionately large buy orders entered at the best bid and/or the various bid levels which were subsequently cancelled followed by/to facilitate his sell orders. These activities by Mohan in the 4 Counters on these trading days had the effect of inflating the buy side of the order books and created a false or misleading appearance of strong demand/in respect to the market for these securities.
- (2) In this regard, there were instances of Mohan:-
 - (a) placing buy orders/disproportionately large buy orders including and in particular at the best bid price to attract or induce other buyers to follow him on the queue. Once other buyers came in and the priority queues were built up, Mohan then cancelled his buy orders in the best bid queue and he followed this by creating sell orders immediately/within seconds which were matched to the remaining buy orders of other buyers which were queueing at the best bid level/after his buy orders (which he cancelled before he entered his sell orders);
 - (b) entering and cancelling his buy orders when his buy orders were being partially matched or when his buy orders were in the best bid to avoid matching with the opposing orders prior to the execution and/or matching of his sell orders; and
 - (c) entering disproportionately large buy orders that gave a false impression of inflated/huge demand which were eventually cancelled after his sell orders at higher price were filled,which clearly showed that these orders were entered to facilitate his selling and/or were not intended to be traded and hence, the false market activities by him in the 4 Counters.
- (3) By trading in the aforesaid manner, Mohan was able to sell his shares in the 4 Counters to the buyers who had their buy orders outstanding/remained at the best bid level upon Mohan's cancellation of his best bid buy orders or to the buyers who came into the market to take the seller/Mohan's sell orders at the seller's price, and thus he had dictated the price at which his selling were done.
- (4) The imposition of the sanctions including the fine and suspension on Mohan had taken into account, amongst others, his admission to the breaches and he was suspended by the said Participating Organisation (PO) for a period of time for the breaches as well as the period/impact of the breaches by Mohan which were undertaken on the relevant trading days in the counters concerned.
- (5) As a Registered Person in carrying out his dealing activities, Mohan must at all times:-
 - (a) observe professional conduct, 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 in acts or practices which might lead to a false/misleading appearance of active trading in, the market for or price of these securities.

-End-

Head, Enforcement

ADDENDUM

Rules 401.1(3), 404.3(1)(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 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) & (g) and 5.01(b) of the Rules of Bursa Malaysia Securities and paragraph 1.1(1)(h) of Directives No. 5-001 of the POs' Directives (which came into effect on 2 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, and carry out the Registered Person's duties in a manner that contributes to the maintenance of an orderly and fair stock market;
- 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
- 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.