

## PARTICIPATING ORGANISATIONS' CIRCULAR

Date: 25 June 2015	No : G 10 of 2015
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### Enforcement Action Pursuant to the Rules of Bursa Malaysia Securities Berhad

**25 JUNE 2015**

#### **BURSA MALAYSIA SECURITIES REPRIMANDS, FINES AND SUSPENDS YAP YENG CHONG AND CHANG MEEI YEE 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 Petrol One Resources Bhd (PETONE). 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
Yap Yeng Chong (YAP)	Public reprimand, fine of RM50,000, 12 months Suspension and Mandatory Training
Chang Meei Yee (CMY)	Public reprimand, fine of RM50,000, 12 months Suspension and Mandatory Training

YAP and CMY 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 PETONE shares undertaken in their clients' accounts on numerous trading days over a period of about five months.

The findings of the breach and imposition of the sanctions on both YAP and CMY were made pursuant to Rule 15.02 of the Rules of Bursa Malaysia Securities after according due process to YAP and CMY and taking into consideration all facts and circumstances, including the severity and impact 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) In regard to the breaches by YAP and CMY:-
  - (a) YAP, who was at the material time of the breach a Commissioned DR of PM Securities Sdn Bhd at its Klang Branch; and
  - (b) CMY, who was at the material time of the breach a Commissioned DR of ECM Libra Investment Bank Berhad and thereafter, Kenanga Investment Bank Berhad at Bandar Baru, Klang Branch,

had engaged in manipulative/false trading activities of PETONE shares in several clients' accounts as follows:-

- (i) Both YAP and CMY had undertaken manipulative activities by rolling over and passing on the PETONE shares to each other through their respective clients' accounts on the due dates of settlement to close out their clients' outstanding purchase positions (Rollover Activities).
- (ii) In the Rollover Activities, series of on-market cross trades were executed by both YAP and CMY deliberately matching their clients' buy and sell trades to the opposing orders of each other's trading activities on the due dates for settlement (Cross Trades or Cross Trading).

- (2) By engaging in and/or facilitating their clients' manipulative trading activities of Cross Trading and Rollover:-
- (a) both YAP's and CMY's clients' outstanding purchases due for settlement were passed on to a 'friendly' party and minimized potential losses that could have been suffered if sold on-market according to natural market forces/being forced sold on the settlement dates; and
  - (b) these on-market pre-arranged trades had created and resulted in significant artificial spikes in the trading volume, active demand/activity as well as artificial price movement of PETONE shares on the relevant trading days which had compromised market integrity/orderliness and deceived the investing public.
- (3) YAP and CMY 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 their clients' accounts, these two DRs had, amongst others:-
- (a) acted as mere order-takers 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 the Rollover activities and the coordinated/Cross Trading Activities which constituted manipulative trading by both YAP and CMY; and
  - (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.
- (4) In imposing the sanctions on the two DRs, various factors were taken into account, amongst others, the severity of the breach including the extent and impact of the manipulative trading activities as well as the financial benefits/commission derived by the DRs concerned.

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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 (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; 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.