

PARTICIPATING ORGANISATIONS' CIRCULAR

Date: 3 August 2015

No : G 12 of 2015

Enforcement Action Pursuant to the Rules of Bursa Malaysia Securities Berhad**3 AUGUST 2015****BURSA MALAYSIA SECURITIES REPRIMANDS, FINES AND SUSPENDS HONG CHOE HOAR FOR ENGAGING IN MANIPULATIVE DEALING ACTIVITIES**

Bursa Malaysia Securities Berhad (635998-W) (Bursa Malaysia Securities) has publicly reprimanded, imposed a fine of RM65,000 and suspended/restricted (as the case may be) Hong Choe Hoar (HONG) for 12 months as/from being a Registered Person of Bursa Malaysia Securities, for engaging in manipulative dealing activities in the securities of Kanger International Berhad (KANGER). In addition, HONG was further required to undergo training on conduct or professionalism of Dealer's Representatives (DRs)/market offences (Mandatory Training).

HONG, who was at the material time of the breach a Commissioned Dealer's Representative (CDR) of Kenanga Investment Bank Berhad (KIBB) at its Bandar Baru, Klang Branch Office, had contravened and/or triggered the provisions of Rules 3.14(d), (e), (f) & (g) and 5.01(b) of the Rules of Bursa Securities and paragraph 1.1(1)(h) of the Directives No.5-001 of the Participating Organisations' Directives and Guidance (POs' Directives).

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.

BACKGROUND

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

- (1) HONG had engaged in false market/undertaken manipulative trading activities of KANGER shares through his numerous clients' accounts including his brother's account (who had given HONG the discretion to execute trades in their accounts), which involved:-
 - (a) the execution of coordinated on-market cross trades in his clients' accounts through the rapid execution of his clients' opposing buy and sell trades which were matched against each other within close proximity of time/trading intervals (Cross Trades/Cross Trading activities). These activities were undertaken over a period of about a month, giving rise to the creation of a false appearance of active trading and increased market activity including sudden surges in the trading activities and volume as well as a strong and sustained demand for KANGER shares;
 - (b) the slicing or entry of buy orders in small quantities, repetitively hitting/taking the existing sell orders at the same price within numerous short time intervals (Order Slicing/Splitting) during the aforesaid trading period despite there being a sizeable and sufficient volume on the sell side of the market to fill these buy orders in a single order. This manipulative trading manner engaged by HONG had enabled him to dictate/influence the direction and price movement of KANGER shares that were traded at artificially maintained price levels; and
 - (c) the execution of a series of buy and sell orders in his clients' accounts, respectively at prices higher and lower than the indicative Theoretical Opening Price (TOP) during the pre-opening phase on a trading day which had influenced/distorted the price discovery of KANGER shares. These activities had caused a large fluctuation to KANGER shares' TOP which eventually fixed/influenced the reference price and had his clients' opposing buy and sell orders matched against each other in a series of Cross Trades at this reference price when the market opened for trading.
- (2) HONG's Cross Trading and Order Slicing/Splitting activities showed a pattern of neglect/deliberate/reckless acts of his dealing activities without due regard to market orderliness. By his trading conduct, he had failed to exercise reasonable due care and diligence so as to avoid and refrain from any of these manipulative activities in his clients' accounts.
- (3) The manipulative trading activities by HONG had profited his brother whose purchases (either from the market/via married Direct Business Transactions from a client) were done at a lower cost whilst his brother's sales were crossed on-market to HONG's other clients at higher prices.

- (4) The imposition of the sanctions including the fine and suspension on HONG had taken into account, amongst others, the severity of the breaches including the extent and impact of the manipulative trading activities, the financial benefits/commission derived by HONG and his co-operation/admission to the breaches against him.
- (5) As a DR, HONG must at all times:-
- (a) observe professional standards of integrity and fair dealing including exercise proper skill, care and diligence in the execution of trades;
 - (b) carry out his duties in a manner which contributes to the maintenance of an orderly and fair 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 (including participating in/facilitating any operation/trading activities by others that might have the same result).

-End-

Head, Enforcement

ADDENDUM

Rules 3.14(d), (e), (f) & (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 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, act honestly and in the best interest of the clients and the Participating Organisation (PO) 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 manipulations and must not participate in any operation by others that might have the same result.