

## PARTICIPATING ORGANISATIONS' CIRCULAR

Date: 14 December 2016

No : G 16 of 2016

### Enforcement Action Pursuant to the Rules of Bursa Malaysia Securities Berhad

14 December 2016

#### BURSA MALAYSIA SECURITIES REPRIMANDS, FINES AND SUSPENDS THREE DEALER'S REPRESENTATIVES FOR ENGAGING IN MANIPULATIVE DEALING ACTIVITIES

Bursa Malaysia Securities Berhad (635998-W) (Bursa Malaysia Securities) has publicly reprimanded, fined and suspended three Dealer's Representatives (DRs), for engaging in manipulative dealing activities in the securities of Perduren (M) Bhd ("PRDUREN"). In addition, they are required to undergo training on conduct or professionalism of DRs/market offences (Mandatory Training).

The DRs are as follows:-

| Details of DR           | Sanctions Imposed  |
|-------------------------|--|
| Lau Jui Cheng (Lau JC)  | (a) public reprimand;<br>(b) fine of RM48,000;<br>(c) 10 months suspension; and<br>(d) Mandatory Training. |
| Quek Yong Guan (Quek)   | (a) public reprimand;<br>(b) fine of RM30,000;<br>(c) 5 months suspension; and<br>(d) Mandatory Training.  |
| Lau Sie Chuang (Lau SC) | (a) public reprimand;<br>(b) fine of RM34,000;<br>(c) 5 months suspension; and<br>(d) Mandatory Training.  |

Lau JC, Quek and Lau SC 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.

The findings of the breach and imposition of the sanctions on the three DRs were made pursuant to Rule 15.02 of the Rules of Bursa Malaysia Securities after according due process to the three DRs and taking into consideration all facts and circumstances, including the severity, extent and impact of the breaches and the conduct of these three DRs and their co-operation with Bursa Malaysia Securities in the enforcement action against them by not disputing the breaches/electing to enter into an agreed settlement with Bursa Malaysia Securities pursuant to Rule 15.04 of the Rules of Bursa Malaysia Securities, hence resulting in earlier resolution of the case. In this regard, in determining the sanctions to be imposed, Bursa Malaysia Securities will take into account the extent of co-operation by the errant party (including timing of the initiation of settlement by the errant party).

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. In this regard, DRs must:-

- (i) observe professional standards of integrity and fair dealing including exercise due care and diligence in the execution of trades;
- (ii) carry out their duties as DRs efficiently, fairly and in a manner which contributes to the maintenance of a fair and orderly market;
- (iii) 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
- (iv) 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 the three DRs:-
  - (a) Lau JC, who was at the material time of the breach a Salaried DR (SDR) of OSK Investment Bank Berhad at its Principal Office;
  - (b) Quek, who was at the material time of the breach a Commissioned DR (CDR) of Malacca Securities Sdn Bhd at its Principal Office; and
  - (c) Lau SC, who was at the material time of the breach a CDR of Kenanga Investment Bank Berhad at its Kuching Branch Office,

had engaged in manipulative/false trading activities of PRDUREN shares through numerous accounts of their clients over a period of time (the Relevant Period) which involved/had the following characteristics:-

- (a) the execution of manipulative on-market coordinated cross trades among the three DRs through entries of their orders at the same price in close proximity of time to take on each other's opposing trades/pass on their shares to each other which generated artificial trading activity and volume (Cross Trading activities/Cross Trades);
- (b) the execution of increasing bids buy orders including in small quantities by the three DRs that had driven up the price of PRDUREN shares (IB Trades/Bidding up activities); and
- (c) in addition, in respect of Lau JC, the execution of buy orders towards the close of the trading session/before market close by taking the seller at the seller's price (Marking the Close trades) which gave rise to the price increase or maintenance of the closing price.

These activities had created a false/misleading appearance of the market for, activities in and the price of PRDUREN shares during the Relevant Period (False/Misleading Appearance).

- (2) The characteristics and impacts of the Cross Trading activities and Bidding up activities among the three DRs were found to be manipulative as follows:-

- (a) There were patterns of co-ordination by them in matching against each other's opposing orders, mostly in rapid succession/close proximity undertaken during certain trading intervals with their Cross Trades constituting a significant portion of their clients' total buy and sell during the Relevant Period.

On some trading days, these on-market Cross Trades of the three DRs involved their entire opposing trades being matched against each other. These manipulative trading had enabled them to match large quantity of PRDUREN shares swiftly during certain trading intervals whilst dictating the priority queue of the best bid and offer share prices of PRDUREN that were thinly traded during the Relevant Period.

- (b) The significant number of on-market Cross Trades executed by the three DRs that continued over a period of time in a repeated manner of trading pattern among them either as a buyer or seller had enabled them to dictate the price at which the trades were done and dominated the trading activities of PRDUREN shares during the Relevant Period.

- (c) Through these Cross Trading activities, their clients' purchases of PRDUREN shares were passed on to each other thus enabling them to square off large quantities of their trades to the opposing buy/sell orders among them.
- (d) The constant execution of higher bids buy trades (including those which involved small quantity buy orders) had caused the share price of PRDUREN to increase and artificially raised/maintained/supported the share price at certain levels (including by pushing the share price upward whenever the price retreated to a lower level).

These Bidding up activities had facilitated the execution of Cross Trades by the three DRs at higher prices in passing on or rolling over the trades/prolonging the holding period of the shares in their respective clients' accounts and thus, minimized the impact of selling pressure that could have existed in an illiquid counter like PRDUREN.

- (e) These activities gave rise to the creation of artificial appearance of active trading and increased market activities with a surge in the trading volume/price/active demand that induced/could have induced other market participants to trade in the counter.
- (3) In respect of the Marking the Close trades by Lau JC, her entries of buy orders to take the seller at the seller's price or at prices higher than the prevailing/last done price, in particular during late trading hour or during the pre-closing phase and the matching of these orders had the effect of maintaining or raising the last done price. This had influenced/artificially inflated the closing price (via-a-vis the last traded price during the relevant trading days) and created a False/Misleading Appearance as to the price of PRDUREN shares.

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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 (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 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.