

PARTICIPATING ORGANISATIONS' CIRCULAR

Date: 4 August 2017

No. : G 27 of 2017

Enforcement Action Pursuant to the Rules of Bursa Malaysia Securities Berhad

4 August 2017

BURSA MALAYSIA SECURITIES REPRIMANDS, FINES AND SUSPENDS KWAN CHUN HAN FOR MISCONDUCTS/VIOLATION OF RULES

Bursa Malaysia Securities Berhad (635998-W) (Bursa Malaysia Securities) has publicly reprimanded, imposed a fine of RM8,000 and suspended/restricted (as the case may be) Kwan Chun Han (KWAN) for 3 months as/from being a Registered Person of Bursa Malaysia Securities which is deferred for 2 years (Deferred Suspension), for engaging in misconducts/breaches relating to unauthorised trades in a client (Client A)'s account.

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

KWAN, who was at the material time of the breach a Commissioned Dealer's Representative of RHB Investment Bank Berhad at its Principal Office, had contravened and/or triggered Rules 3.14(d), (e) & (f), 5.16(1)(b) & (c) [read together with Paragraph 11.2(a) of Directives No. 5-001 of the Participating Organisations' Directives and Guidance (POs' Directives)] and 15.09(a), (g) & (i)(iii) of the Rules of Bursa Malaysia Securities.

The finding of the breach and imposition of the sanctions on KWAN were made pursuant to Rule 15.02 of the Rules of Bursa Malaysia Securities after according due process to KWAN and taking into consideration all facts and circumstances, including the severity, extent and impact of the breaches and the conduct of KWAN and his co-operation with Bursa Malaysia Securities in the enforcement action against him by admitting/not disputing the breaches, 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 admission of the breaches/timing of the initiation of settlement by the errant party).

Bursa Malaysia Securities views seriously misconducts that impinge on the professional conduct of Registered Persons and compromise clients' protection as such misconducts may adversely affect and damage market integrity and public confidence. Bursa Malaysia

Securities will not hesitate to take appropriate action against anyone who engages in such misconducts, including imposition of fines and suspension/restriction/striking off a Registered Person from the Register commensurate with the severity of the breach.

BACKGROUND

- (1) KWAN had executed his personal trades in Client A's account which had resulted in contra losses. In this regard, KWAN had accessed and used Client A's online trading account via Client A's User ID and password. Hence, KWAN had, amongst others, unlawfully transacted in his client's account and failed to act in the best interest of his client.
- (2) Client A's purported knowledge of/consent to KWAN using his account to trade (as Client A and KWAN were friends) would not absolve KWAN from liability for the breaches as the protection of clients' accounts/interest is one of the fundamental obligations/duties of a DR which must be upheld at all times and should not be compromised.
- (3) In addition, despite knowing that he was not allowed to use a client's account to execute his personal trades, KWAN had used Client A's account to execute his personal trades to circumvent the restriction/control put in place by the Participating Organisation via-a-vis employees' trading.

The sanctions including the public reprimand were imposed on KWAN as deterrence and for investors protection by creating market awareness and educating investors not to allow their accounts and/or their User IDs and passwords for their online trading accounts to be used by their DRs/third parties.

The Deferred Suspension imposed on KWAN was to ensure that he does not commit similar breach(es) relating to unauthorised trades/abuse or misuse of client's account. Thus, the 3 months suspension is deferred and will be waived if there is no commission of similar breach(es) by KWAN within two years.

As a Registered Person acting in the capacity of a DR, KWAN must at all times observe professional conduct, standards of integrity and act honestly in the best interest of his client including not to execute personal trades in the client's account/unlawfully transact on another person's account.

-End-

Head, Enforcement

ADDENDUM

Rules 3.14(d), (e) & (f), 5.16(1)(b) & (c) (read together with Paragraph 11.2(a) of the POs' Directives) and 15.09(a), (g) & (i)(iii) of the Rules of Bursa Malaysia Securities (which came into effect on 2 May 2013) state, amongst others, that a Registered Person must:-

- act efficiently, honestly and fairly and in the best interest of the clients;
- must not execute personal trades in the client's account or unlawfully transact on another person's account; and
- observe professional standards of integrity and fair dealing as well as exercise proper skill, care and diligence.