

PARTICIPATING ORGANISATIONS' CIRCULAR

Date: 8 September 2020

No.: G 28 of 2020

Enforcement Action Pursuant to the Rules of Bursa Malaysia Securities Berhad**8 September 2020****BURSA MALAYSIA SECURITIES PUBLICLY REPRIMANDS, FINES AND SUSPENDS
TEO CHEE CHEONG FOR ENGAGING IN MANIPULATIVE TRADING ACTIVITIES**

Bursa Malaysia Securities Berhad [Registration No.: 200301033577 (635998-W)] (Bursa Malaysia Securities) has publicly reprimanded and imposed a fine of RM74,500 and a 10 months suspension/restriction (as the case may be) as/from being a Registered Person of Bursa Malaysia Securities on Teo Chee Cheong (Teo), for engaging in manipulative trading activities in the shares of the following 8 counters (Relevant Counters):

1. Malaysia Building Society Berhad
2. Dagang Nexchange Berhad
3. Hibiscus Petroleum Berhad
4. Dagang Nexchange Berhad-Warrants
5. Johan Holdings Berhad
6. Sapura Energy Berhad
7. UMW Oil & Gas Corporation Berhad (now known as Velesto Energy Berhad)
8. Sino Hua-An International Berhad

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

Teo, who was at the material time of the breach a Proprietary Day Trader of TA Securities Holdings Berhad (TA) 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 Directives No. 5-001 of the Participating Organisation Directives and Guidance (POs' Directives).

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

- (1) Teo had engaged in false market/manipulative trading activities involving order book manipulation (False Market/Manipulative Trading Activities) in the securities of the Relevant Counters on numerous trading days that spanned over a period of about 1 year (Relevant Period) by:
 - (a) placing or entering buy orders at multiple price levels including at or near the best bid prices (Order Stacking/Layering) which dominated/controlled the buy side of the order books during certain trading intervals of the relevant trading days. These Order Stacking/Layering activities had induced/attracted other market participants (OMP) into the market which had facilitated Teo's disposal of the shares of the Relevant Counters that were traded at his desired/higher prices to the buy orders of OMP who:
 - (i) had keyed-in their buy orders at prices higher than the majority of Teo's stacked/layered buy orders or at the new best bid price in order to gain priority over Teo's multiple stacked large quantity buy orders; and/or
 - (ii) upon seeing demands at various price levels (due to Teo's stacked buy orders), had keyed-in their buy orders and queued behind his buy orders. These OMP's buy orders then moved up the priority queue upon cancellation of Teo's buy orders at best bid price and matched to Teo's sell orders that were entered and took the buyers at the best bid price; and
 - (b) subsequently cancelling/withdrawing his stacked/layered buy orders (Order Withdrawal/Cancellation):
 - (i) when they were partially matched/resting at the best bid price; or
 - (ii) when they were in the priority queue so as to avoid priority (Avoiding Priority); or
 - (iii) upon/during/after the disposal of the shares of the Relevant Counters by Teo,

which indicated that he did not intend to buy these shares.

The False Market/Manipulative Trading Activities in the Relevant Counters gave rise to the creation of a false/misleading appearance of increased/sustained/strong demand/market (False/Misleading Appearance) for the Relevant Counters.

- (2) The manner in which Teo undertook the False Market/Manipulative Trading Activities and the impact thereof were as follows:
- (a) Teo entered multiple large buy orders at the seller's price, some of which were matched to existing sell orders at the best ask price while some remained untraded and queued as the (new) best bid price. This created a trading momentum which resulted in a sudden surge in the market activities/volumes in the Relevant Counters and gave an impression of an active and strong market demand.
 - (b) Teo had entered/stacked/layered large buy orders (in quantities of 200,000 units to 500,000 units per order) at the best bid price and/or layered at multiple price levels in a successive or repetitive manner within a short span of time during certain trading intervals. This had caused a sudden inflation/increase in the bid sizes at the relevant price levels. These buy orders were visible to the market and had created an impression of strong demand for the Relevant Counters at these price levels and thus attracted trading interests from OMP.
 - (c) In some instances, Teo had continued with Order Stacking/Layering activities which together with his remaining outstanding/untraded buy orders already stacked/layered, had further inflated the bid sizes at the best bid/multiple price levels.
 - (d) Teo had dominated the buy side of the order book and controlled a significant percentage of the market volumes during certain trading intervals for the Relevant Counters as indicated by the increased/inflated buy order volumes upon the stacking/layering of his large buy orders.
 - (e) When the volume at the best bid price had built up with market activities and/or when Teo's buy orders were partially matched/moving up the priority queue/resting at the best bid price level, he had engaged in Order Withdrawal/Cancellation/Avoiding Priority.
 - (f) Teo immediately turned seller (typically within seconds after his Order Withdrawal/ Cancellation/Avoiding Priority) to dispose of his outstanding shares in the Relevant Counters to OMP whose buy orders were outstanding/remained at the new/prevaling best bid price after cancellation

of Teo's buy orders. This had facilitated Teo in meeting his end goal of disposing his shares to OMP at his desired prices, i.e. at the prevailing best bid/higher prices.

- (g) In many instances after Teo had completed his selling activities, he carried out further Order Withdrawal/Cancellation. This indicated that these stacked/layered buy orders were not intended to be traded by him and were entered to inflate the bid sizes to give a False/Misleading Appearance.
 - (h) Teo's Order Withdrawal/Cancellation had resulted in a substantial decrease in the bid sizes at the relevant price levels.
- (3) Despite trading concerns raised by Bursa Malaysia Securities and actions by TA (including instructions to cease his False Market/Manipulative Trading Activities and a suspension imposed by TA), Teo continued engaging in the False Market/Manipulative Trading Activities in more counters. Teo only stopped the False Market/Manipulative Trading Activities after a reminder was issued by Bursa Malaysia Securities and another suspension by TA (Teo's Recalcitrant Conducts). Teo's Recalcitrant Conducts showed a reckless/lackadaisical attitude and a blatant disregard of the Rules of Bursa Malaysia Securities and the various trading concerns raised/actions by Bursa Malaysia Securities and TA.
- (4) Hence, Teo had failed to discharge his duties as a Registered Person to exercise proper skill, care and diligence and observe professional conduct, standards of integrity and fair dealing in a manner that contributed to the maintenance of an orderly and fair market for the Relevant Counters during the Relevant Period.
- (5) The sanctions were imposed on Teo having considered, amongst others:
- (a) the severity, extent and impact of the breach including Teo's Recalcitrant Conducts;
 - (b) the profits generated by Teo from the False Market/Manipulative Trading Activities; and
 - (c) Teo's co-operation with Bursa Malaysia Securities in the enforcement actions against him by admitting/not disputing the breach. 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 breach/timing of the initiation of settlement by the errant party).

- (6) As a Registered Person, in carrying out his dealing activities, Teo 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 the securities.

-End-

Head, Enforcement

ADDENDUM

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 Participating Organisation'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.