

PARTICIPATING ORGANISATIONS' CIRCULAR

Date: 6 May 2019

No.: G 6 of 2019

Enforcement Action Pursuant to the Rules of Bursa Malaysia Securities Berhad

6 May 2019

BURSA MALAYSIA SECURITIES REPRIMANDS, FINES AND SUSPENDS LO LING FOR ENGAGING IN MANIPULATIVE TRADING ACTIVITIES

Bursa Malaysia Securities Berhad (635998-W) (Bursa Malaysia Securities) has publicly reprimanded, imposed a fine of RM78,000 and suspended/restricted (as the case may be) Lo Ling for 10 months as/from being a Registered Person of Bursa Malaysia Securities, for engaging in manipulative trading activities in the securities of Milux Corporation Bhd (MILUX).

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

Lo Ling, who was at the material time of the breach a Commissioned Dealer's Representative of AmlInvestment Bank Berhad (AmlInvest) at its Damansara Utama branch 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 Organisations' Directives and Guidance (POs' Directives).

The finding of the breach and imposition of the sanctions on Lo Ling were made pursuant to Rule 15.02 of the Rules of Bursa Malaysia Securities after according due process to Lo Ling and taking into consideration all facts and circumstances, including the severity, extent and impact of the breaches and Lo Ling's co-operation with Bursa Malaysia Securities in the enforcement actions against him by admitting/not disputing the breaches. 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 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

(1) The breaches by Lo Ling were in relation to the manipulative trading activities in the securities of MILUX undertaken in the accounts of 3 clients (Clients) at 2 different periods each spanning over several months (Relevant Periods) which involved/displayed the following characteristics (Manipulative Trading Activities):-

(a) For Relevant Period 1:

(i) the execution of on-market coordinated cross trades by Lo Ling among his Clients or with the client of another DR of AmInvest involving entries of opposing orders at the same price and in many instances, in close proximity of time that took on each other's opposing trades/passed on their shares to each other (Cross Trades). These Cross Trades had generated artificial trading activity and volume for MILUX shares.

Lo Ling's Cross Trades had facilitated rollover activities through his Clients' accounts (Rollover activities) whereby he repeatedly sold MILUX shares to close out the outstanding purchase positions before/by the due date for settlement and bought MILUX shares to open new purchase positions in the same/another of his Clients' account(s) on the same day;

(ii) the execution of bidding up trades (IB Trades) (i.e., positive price changes from the last traded price/reference price) by repeatedly taking the seller at the seller's price. This caused the price of MILUX to rise and created an appearance of upward trend of the share price or maintained/sustained the share price at certain price levels; and

(iii) marking the close activities through execution of buy orders that determined a higher closing price or marking the last activities through 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/Last activities). These activities had determined/raised the closing price of MILUX shares.

In regard to the IB Trades and Marking the Close/Last activities, the following trading patterns were observed which showed Lo Ling's deliberate attempts to mark the close/last at better prices:-

- on certain trading days, when the market opened for trading at a price lower than previous day's closing price, Lo Ling managed to fix the closing price of MILUX shares at a higher price (as compared to its previous day's close) which was also the highest price for the day (intraday high) through his IB Trades;
 - on certain trading days, Lo Ling would enter/re-enter the market to push up the share price to sustain the price at higher levels and/or had marked the close/last at higher prices when the price retreated to lower levels as a result of other market participants' trades.
- (b) For Relevant Period 2, Lo Ling had also undertaken IB Trades and Marking the Close/Last activities which exhibited similar trading patterns in Relevant Period 1. In addition, on certain trading days, the higher closing price pushed up by Lo Ling was not sustainable in the subsequent trading days as MILUX share price would open at/retreat to lower levels.

(2) These Manipulative Trading Activities by Lo Ling had:-

- (a) generated increased trading activity and amplified the daily volumes traded in the shares of MILUX;
- (b) dictated the price movement/direction of MILUX;
- (c) gave an impression of active participation by various market participants in the market without the investing public knowing that these buy and sell orders were entered by Lo Ling.

Hence, these Manipulative Trading Activities had given rise to the creation of a false/misleading appearance of active trading and/or in respect of the market for and/or the price of the securities of MILUX.

(3) By facilitating/engaging in/failing to restrain or refrain his Clients from the Manipulative Trading Activities during the Relevant Periods, Lo Ling had failed to discharge his duties as a DR to:-

- (a) make proper assessment of his Clients' orders received/executed. Lo Ling had acted as a mere order taker and had failed to be alerted/aware of the irregularity of the trades by his Clients;

- (b) exercise reasonable due care and diligence in his trading activities so as to refrain/restrain his Clients from the Manipulative Trading Activities in MILUX shares and ensure orderliness of trading activities in his Clients' accounts during the Relevant Periods; and
- (c) observe fair dealing and carry out his trading activities in a manner which contributed to the maintenance of a fair and orderly market for the securities of MILUX during the Relevant Periods.

-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 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 manipulation.