

# Harsher penalties for market manipulators

## Recent cases set tone on court's treatment to offenders

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**PETALING JAYA:** A new benchmark may have been set for stock market manipulators as offenders caught could end up serving longer jail sentences.

In the latest case that had gone to court, several directors of Suremax Group Bhd had been found guilty of manipulating the company's shares and will now face substantial jail sentences.

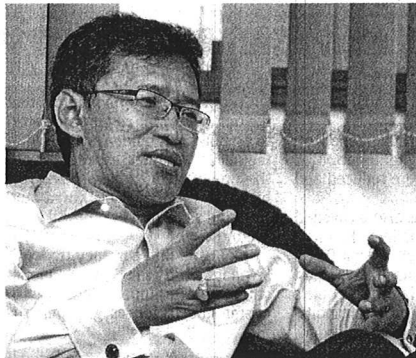
The action taken by the court would set the tone in how future stock market manipulators would be treated, said the Federation of Public Listed Companies chief executive officer Muhamad Ibrahim.

"I think it (Suremax case) will set a precedent in terms of treatment of other cases of market manipulation," he told *StarBiz* yesterday.

Muhamad Ibrahim said the court's decision would be a strong deterrent to company directors and others not to manipulate the share price of stocks.

"Market manipulation of a company's shares is not necessarily by a company's directors only. It may be attempted by anyone for his/her own selfish reason.

"The current safeguards, if properly followed and implemented should be adequate to 'trap' manipulators," he noted, adding that the Securities Commission (SC) too had its own prosecution team for market offenders.



Muhamad Ibrahim says stock market manipulators detract from genuine players.

The first case of a market manipulator put to jail was when a former director of Fountain View Development Bhd, Datuk Chin Chan Leong, was fined RM1.3mil in default of 13 months' jail.

He was sentenced to serve only one day in prison for manipulating the share price of property developer Fountain View seven years ago.

Chin pleaded guilty to the offence committed between Nov 18, 2003, and Jan 20, 2004, for creating a misleading appearance of active trading of Fountain View shares on Bursa Malaysia through at least 20 central depository system (CDS) accounts.

These accounts were beneficially owned by the accused via the companies that Chin controlled.

This was viewed by most people as a light sentence by the court, considering the offence.

But, in the Suremax case, it clearly shows the court was serious in reprimanding market manipulators, going by the two-year jail sentence imposed on one of the directors of the company.

Suremax is an investment holding company engaged in the construction, property development and trading of construction materials.

Muhamad Ibrahim said market manipulators detracted from genuine players, like in the case of Gresham's Law, where "bad money drives out the good money".

He said this applied more so in a budding market like Bursa Malaysia which needed to attract more retail

and foreign players to maintain its current buoyancy.

Gresham's Law holds that if two kinds of money in circulation have the same denominational value but different intrinsic values, the money with higher intrinsic value will be hoarded and eventually be driven out of circulation by the money with lesser intrinsic value.

On the jail sentence, he said a fundamental principle of justice called for any punishment to commensurate with the offence committed.

"Such punishment may include a jail term as deemed appropriate by the court. It's illustrative to note that many other matured jurisdictions have imposed jail sentences for market manipulation."

The Minority Shareholder Watchdog Group chief executive officer Rita Benoy Bushon said market manipulation cases were typically highly complex to investigate and difficult to prosecute, as evidenced by the few jurisdictions that have had successes in this area.

"Oversight by the Securities Commission of the capital market involves a continuous process of supervision, surveillance and enforcement, and when there is sufficient evidence from investigations, relevant action must be taken," she said, adding that all market participants had a fundamental role in upholding the integrity of the market.

● See also B9