

Enforcement Action – Court Convicts Individual for False Trading and Deception – March 2021

On 12 March 2021, following an investigation by the Monetary Authority of Singapore (“MAS”) and the Commercial Affairs Department of the Singapore Police Force, Mr. Wong Leon Keat (“Mr. Wong”), a former director of WLA Regnum Pte Ltd (“WRPL”) was sentenced to 8 weeks imprisonment and a fine of SG\$30,000 for false trading and deception.

Case Details

Following a referral by the Singapore Exchange Securities Trading Limited (SGX-ST) to the MAS, an investigation was launched into the market manipulation in relation to shares in Gaylin Holdings Limited (“Gaylin”). The market manipulation occurred between 11 November 2015 and 25 October 2016.

The charges were brought against Mr. Wong due to the following offences:

- 17 counts of creating misleading appearances with respect to the price of Gaylin shares under section 197(1)(b) of the Securities and Futures Act (“SFA”);
- 1 count of deception in relation to Mr. Wong’s failure to notify UOB Kay Hian Private Limited (“UOBKH”) of his 50 percent beneficial interest in Gaylin in a UOBKH trading account belonging to another individual, as required under section 201(b) of the SFA; and
- 1 count of furnishing false information to a public officer in their role under section 182 of the Penal Code (“PC”).

During his conviction Mr Wong pled guilty to seven charges under section 197(1)(b) of the SFA and the charge under section 201(b) of the SFA. The remaining 11 charges were taken into consideration when deciding the appropriate sentence.

The judge presiding over this case, Toh Han Li stated that “the artificial demand generated by the accused distorted the true force of supply and demand, which caused Gaylin’s share price to close higher but the for the accused actions. The misleading appearance was the signal to potential investors that the price of Gaylin was higher than it should have been and had the potential to mislead them on the true market value of Gaylin shares.”

On 12 March 2021, Mr. Wong submitted a notice of appeal against the imprisonment sentence and is currently out on bail pending the High Court Hearing.

Ms. Loo Siew Yee, Assistant Managing Director (Policy, Payments & Financial Crime) at the MAS made the following statement after the sentencing: “Mr. Wong’s conduct distorted the price of Gaylin shares on multiple occasions. False trading and unauthorised trading undermine public confidence in our capital markets. MAS will take firm action against persons who engage in such misconduct.”

Background

The crimes were alleged to have taken place during Mr. Wong's tenure as director of WRPL from 2007 to 2017. WRPL's investment activities included providing advice to companies on initial public offerings ("IPO") on the mainboard or catalyst board of the SGX-ST. In this role, WRPL advised Gaylin on its IPO.

During his tenure with WRPL, Mr. Wong is alleged to have induced individuals to invest in Gaylin shares. It is believed that Mr. Wong also assisted several individuals with the management of their investments, including assuming control of their trading accounts held with UOBKH.

In the lead up to the offences, Mr. Wong was clearly concerned that Gaylin's share price would fall and that this would damage his and WRPL reputation due to WRPL's involvement in the IPO, and Mr Wong's personal dealings. To mitigate any reputational damage, Mr. Wong allegedly used the UOBKH accounts under his control, on 17 occasions between 11 November 2015 and 25 October 2016, to purchase Gaylin shares in small quantities of 100 or 200 shares. The share price of Gaylin subsequently closed between 6.5 percent to 38.6 percent higher than it would have done otherwise.

During the investigation it was uncovered that one of the UOBKH accounts belonging to another individual was operated at the discretion of Mr. Wong. Both parties agreed that 50% of the beneficial interest in Gaylin shares held in the individuals account would belong to Mr. Wong. This beneficial ownership was not disclosed to UOBKH and therefore breached section 201(b) of the SFA.

How we can help

As an MAS Licensed Corporation you have a number of obligations to the regulator to fulfill on an ongoing basis. Included in these obligations is the requirement to prevent and report any breaches such as false trading. Our dedicated team of professionals can help you understand your obligations, create a plan of action, and deliver support to help you and your organisation meet regulatory expectations in the region. We can support the checking of personal account dealing as well fit and proper testing.

ComplianceAsia's dedicated projects team can assist you with reviewing and updating your policies and procedures and sample testing the reporting systems you have in place in relation to detecting and monitoring any suspicious trading activities.

About ComplianceAsia

ComplianceAsia is the longest established compliance consulting firm in Asia Pacific established in 2003 with key offices in Hong Kong, Shanghai, Singapore, Tokyo and London. We have an unmatched track record of completing complex compliance consulting projects for financial firms in the APAC region.

With over 70 staff, including compliance experts with experience in dealing with the SFC, HKMA, MAS, CSRC, JFSA and Asian exchanges, we provide independent, unbiased advice on Asian financial industry legislation and regulations. Our international client base consists of asset managers, hedge funds, private equity funds, family offices, broker-dealers, insurers, wealth managers and investment banks.

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