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## Enforcement News

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27 August 2009

### Suspended jail sentence for closing auction manipulation

A man has been given a suspended jail sentence for manipulating two derivative warrants during three closing auction sessions in July 2008.

Mr Chang Kar Hung was jailed for two months, suspended for 12 months, after pleading guilty in the Eastern Magistracy today to three counts of false trading. He was also ordered to pay a fine of \$9,000 and the SFC's investigation costs of \$28,263.

The SFC prosecuted Chang alleging him of manipulating the closing prices of two derivative warrants with shares of Bank of China Ltd (BOC warrant) and Industrial and Commercial Bank of China Ltd (ICBC warrant) as underlying assets respectively (Note 1).

He did so by placing small-sized trade orders during the closing auction sessions at unreasonably high or low prices, thereby inflating or depressing the closing price of the two warrants to his desired levels on 14 July 2008, 23 July 2008 and 24 July 2008.

The court was told Chang's buy orders inflated the closing price of the BOC warrant and the ICBC warrant by 8% and 48% respectively, and that his sell order depressed the closing price of the ICBC warrant by 10%.

By creating an artificial closing price of the two warrants on the three trading days, Chang could dispose of his holdings at higher prices and secure a lower price for his purchase on the following trading day.

End

Notes:

1. The two derivative warrants are AA-BOCL@EC0810B and BP-ICBC@EC0811B respectively.

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