

Broker jailed for five months for market manipulation

1 Mar 2011

The Eastern Magistracy today sentenced Mr Pan Ming, a responsible officer of Guotai Junan Securities (Hong Kong) Limited, to serve an immediate five-month imprisonment after being convicted of one charge of market manipulation following an investigation by the Securities and Futures Commission (SFC).

The Court refused Pan's application for bail pending appeal and ordered him to pay the SFC investigation costs of \$69,268 within one month.

Magistrate LI Kwok Wai found that, on 2 April 2008, a client instructed Pan to fix a higher closing price for the shares of IRICO Group Electronics Co. Ltd. (IRICO), a company listed on the Stock Exchange of Hong Kong. Pan agreed to carry out the instruction and directed his colleague to place five buy orders in the last two minutes of trading, and two of them were single board lots.

These orders were for a price higher than the prevailing market price. As a result, the IRICO share price closed 14% higher. The SFC alleged that this was to facilitate a subsequent off-market transaction after market close involving 15 million IRICO shares at a price higher than the closing price.

The SFC has also charged Pan's client with market manipulation and fraud offences involving these transactions and others. Pan's client left Hong Kong after the summons was issued and a warrant for his arrest has been issued (Note 1).

"The SFC has issued warnings to brokers about carrying out clearly suspicious or manipulative instructions. This case sends a very strong message that the courts will impose immediate custodial sentences on brokers who facilitate market manipulation," said Mr Mark Steward, the SFC's Executive Director of Enforcement.

The SFC earlier secured the conviction on one charge of market manipulation of a former account executive of another brokerage in a related manipulation involving the same client and IRICO shares. The Magistrate's Court sentenced him to 240 hours of community service. The SFC also prohibited him for re-entering the industry for three years (Note 2).

End

Notes:

1. Please see SFC press release dated [4 February 2010](#).
2. Please see SFC press release dated [27 May 2010](#), [9 June 2010](#) and [23 December 2010](#).

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