

Futures trader Tsoi Bun convicted of price rigging after retrial

30 Jan 2012

The Eastern Magistracy today convicted a futures trader, Mr Tsoi Bun, after a retrial of five charges of manipulating the calculated opening prices (COP) of index futures contracts in the futures market following his acquittal two years ago (Note 1).

Tsoi was sentenced to six months imprisonment to be suspended for two years; fined \$500,000 and ordered to pay the Securities and Futures Commission (SFC)'s investigation costs.

The retrial was ordered by the Court of First Instance following an application by the SFC for a review of the acquittal by the Eastern Magistracy in January 2010 (Note 2).

Tsoi was charged following an investigation by the SFC of manipulating the COP of Hang Seng China Enterprises Index futures contracts and Hang Seng Index futures contracts during the morning Pre-Market Opening Period on five trading days between 14 February 2007 and 25 September 2007 (Note 3).

The SFC alleged that Tsoi made a profit of \$949,350 in respect of these manipulative trades.

The SFC is considering seeking a review of the sentence imposed today on Tsoi given the level of fine failed to deprive Tsoi of the unjust profits alleged by the SFC to have been earned through his misconduct.

Upon the SFC's request, the Court also imposed a cold shoulder order against Tsoi preventing him from dealing either directly or indirectly in futures contracts in both the morning and afternoon Pre-Market Opening Periods without leave of the Court for a period of 12 months.

This is the first time the SFC has criminally prosecuted market manipulation in Hong Kong's futures market and the second time the SFC has taken action against Tsoi in respect to manipulation of the futures market (Note 4).

End

Notes:

1. A COP is calculated during the Pre-Market Opening Period and serves as the market opening price for the corresponding product. A COP will be calculated only if the highest bid price of the limit orders entered into the Automated Trading System of the Exchange (HKATS) is greater than or equal to the lowest ask price of the limit orders. If more than one price satisfies this criterion, the COP will be calculated according to the established formula set forth in Rule 4.84 of Trading Procedures for Stock Index Futures and Stock Index Options Traded on HKATS.
2. Please see SFC's press releases dated [1 September 2009](#), [20 January 2010](#), [1 February 2010](#), [5 October 2010](#) and [13 June 2011](#) for more information.
3. Before normal trading in the morning session begins, there is a 30-minute period between 9:15:00 and 9:44:59 allocated for the traders to place orders and for those orders to be matched in accordance with certain rules laid down by the Hong Kong Futures Exchange Limited. The 30-minute period is known as a Pre-Market Opening Period and it is divided into three sessions: (i) a Pre-Opening Session which runs from 09:15:00 to 09:40:59 (and from 14:00:00 to 14:25:59); (ii) a Pre-Open Allocation Session which runs from 09:41:00 to 09:42:59 (and from 14:26:00 to 14:27:59); and (iii) an Open Allocation Session which runs from 09:43:00 to 09:44:59 (and from 14:28:00 to 14:29:59).
4. On 12 October 2006, Tsoi, who was formerly licensed by the SFC to carry on Type 2 (dealing in futures contracts) regulated activity, was suspended for 15 months. Please see SFC's press release dated [12 October 2006](#).
5. In addition to the criminal charges, the SFC commenced proceedings in the High Court under section 213 of the Securities and Futures Ordinance on 21 July 2009 seeking orders stopping him from placing orders on the futures market during the Pre-Market Opening Period. In response to that application, Tsoi gave the court an undertaking that he would not place any order held in his name or in the name of another person on the futures markets during the Pre-Open Allocation Sessions.

The undertaking remains in force. Please see SFC's press release dated [1 September 2009](#) for details.

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