

Our Ref: MSD/GEN/05/2017

21 March 2017

To: All Participating Organisations

Attn: 1) Head of Dealing
2) Head of Compliance / Compliance Officers

- **INDUSTRY COMMUNICATION LETTER**
 - **OBSERVATION OF MANIPULATIVE ACTIVITIES VIA PUMP & DUMP USING SOCIAL MEDIA/INTERNET TRADING**
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In the course of carrying out market intelligence and surveillance, we have observed/ discovered certain groups of market participants using the social media and internet trading to carry out their manipulative activities including 'pump and dump' scheme.

Typically, the operators of this 'pump and dump' scheme that are carried out through social media would first spread false/misleading statements/news/rumours in the investor blogs, chat groups (e.g. Telegram, WhatsApp and WeChat)/chat rooms, electronic bulletin board postings or online newsletters and the like to entice/recommend to unsuspecting investors to buy the stocks which were touted as 'hot' stocks in facilitating the disposal of stocks that they had accumulated earlier at higher prices. We believe in this internet age, it is extremely easy to reach out to people through social media and the availability of the new cyber-tools to reach investors at large has given rise to the emergence of unscrupulous operators of pump and dump in full force.

In relation to this, the operators would often post their own research/make unsubstantiated statements/engage in promotional news or hearsays and observations on past trends etc. to gain the confidence of their followers and attracting them to follow their stock tips in chat groups/blogs. These false/misleading statements regarding the stock are spread whilst the operators are accumulating large quantity of the stock or have their stock accumulated earlier at much lower price. In order to create hypes of activities, the operators would normally send out persuasive messages continuously in the chatroom to lure unsuspecting buyers/ investors into buying the stock, all with the goal of creating a run-up in price. Sometimes, the operators themselves would also be involved in the frequent bidding up using small lots to pump the stock prices. Other manipulative activities undertaken include order stacking/layering, slicing of orders into small quantities to give appearance of active trading and aggressive buying and selling activities/churning activities by the operators together with a group of persons/clients. These parties could have multiple accounts opened and operated at a broker/multiple brokers including trading via online trades in creating a hype of activities to entice others to come into market.

With the stock price being pumped up (through creation of artificial buying interest/demand), resulting in an increased trading volume/activity and investors being enticed into the market to participate in the trading of the stock, the operators behind the scheme would then sell their stock at/about at the peak before they stop hyping the stock. When this happens the exit of the operators would cause the price to fall/plummet, whilst the innocent investors who bought high and sold low would lose their money (as the stock price drops due to the operators rapidly selling off their stock that they acquired at low price and selling at high price in the inflated market i.e., dumping the stock).

In this regard, we wish to share the aforementioned observations with the brokers so that they are apprised of the same and could alert their registered persons (e.g. dealer's representatives) and clients about the emergence of such scheme/operators in the social media and advising them to exercise caution and diligence.

Thank you.

Yours faithfully,
for **Bursa Malaysia Securities Berhad**



Mohamad Azhar Mohamed Hamidi
Head, Market Surveillance
Regulations