

## Retail investor convicted of false trading

22 Apr 2013

The Eastern Magistracy has convicted retail investor Mr Stephen Yenn Man Han on one count of false trading in the shares of Kaisa Group Holdings Limited (Kaisa) on 8 November 2010. He had earlier pleaded not guilty to the offence (Note 1 & 2).

Yenn was sentenced to three months imprisonment suspended for three years and fined \$560,000 which is the amount of profit earned by him from the false trading activity. Yenn was also ordered to pay the Securities and Futures Commission's (SFC) investigation costs of \$32,879.

The Court heard that Yenn's order placing activities had created a false or misleading appearance with respect to the demand for Kaisa shares.

Yenn, who employed a bid placing and cancellation strategy commonly known as "scaffolding", repeatedly varied or cancelled his bid orders and re-inputted them at the same prices. His bid orders had raised the aggregate demand at the top five bid queues by more than 30-fold in average (Note 3).

The SFC alleged that many of these orders were not genuine and they were subsequently varied or cancelled shortly before execution or after the orders were partly executed. Yenn cancelled all bid orders after he successfully disposed his entire Kaisa shareholding at price levels artificially inflated by his fake bid orders.

End

Notes:

1. Please see SFC's press release dated [24 May 2012](#).
2. Yenn was a former licensed person under the Securities and Futures Ordinance. In August 2009, the SFC suspended Yenn's licence for 12 months from 25 August 2009 to 24 August 2010 for manipulative order placing activities in six different stocks during the pre-opening sessions in 2008. Please see SFC's press release dated [26 August 2009](#).
3. "Scaffolding" is a form of market manipulation. It refers to the placement of a large number of false orders for a particular stock for the purpose of misleading the investing public to believe there is strong demand for the stock. These orders are usually cancelled before they are executed. Scaffolding facilitates the manipulator to sell the stock at higher price levels. It is called "spoofing" or "layering" in foreign markets.

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