

Enforcement in Singapore



AUTHOR

Sin Yee Koh

Director, Compliance & Regulatory Consulting

Duff & Phelps

sinyee.koh@duffandphelps.com

Unlike 2016 which was dominated by AML enforcement related to 1MDB, 2017 is the year of market misconduct enforcement.

More, and sterner, market abuse enforcement is expected after 2013's 'penny stock saga' where share prices of three penny stock companies listed on the Singapore Exchange rose sharply from 2012 to October 2013 before dropping more than S\$8 billion in combined market value in less than two trading days in October 2013.

In 2015, market misconduct investigations changed. Instead of separate investigations by the Criminal Affairs Department of the Singapore police (CAD) and the Monetary Authority of Singapore (MAS) for cases resulting in possible criminal and civil prosecution respectively, market misconduct became jointly investigated by the CAD and MAS with MAS officers provided with more investigation powers. In 2016, MAS established a dedicated Enforcement Department to focus its enforcement resources and efforts.

Indeed, following the above developments, market misconduct enforcement has heightened.

First, suspects have been charged in November 2016 for the penny stock saga, which authorities called 'the largest market manipulation case in Singapore's history'. In investigations, the CAD and MAS raided over 50 locations, interviewed more than 70 people and sifted through over 2 million emails, half a million trade orders and thousands of telephone records and financial statements. The suspects allegedly, by secretly controlling 180 trading accounts belonging to 59 individuals and corporate nominees, made thousands of manipulative trades in shares of the three companies from 2012 to 2013 that influenced the shares' prices before dramatic price slumps on 4 October 2013. Investigations against others who may be involved continue and more enforcement action may follow.



Second, in just the first five months of 2017, there have been six enforcement actions announced on the MAS website, including one action announcing prohibition orders being made against four individuals involved in 1MDB-related AML breaches. This is a marked increase given that seven enforcement actions were announced by MAS in the whole of 2016, with four of these involving high-profile closures of two private banks and fines imposed on two others for 1MDB-related AML breaches.

Third, 2017 has seen more 'firsts' – the first criminal conviction under the joint investigations regime was obtained in March 2017 and the MAS in May 2017 filed its first court appeal to seek a higher civil penalty award for market misconduct.

Beyond more and sterner market misconduct enforcement, MAS will employ more technology. MAS has announced that it will enhance its analytics and thematic studies of big data to detect indications of potential market misconduct and develop algorithms to scan suspicious transaction reports for higher-risk transactions and trading accounts suspected of syndicated activities.

Market abuse enforcement in Singapore has toughened. Given wide public interest in the penny stock saga, sterner enforcement is warranted to maintain investor confidence in Singapore's markets.