
Enforcement News

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Futures trader acquitted of price rigging charges

The Eastern Magistracy today acquitted a futures trader, Mr Tsoi Bun, of five charges of manipulating the calculated opening prices (COP) of index futures contracts in the futures market (Note 1).

Tsoi was charged following an investigation by the Securities and Futures Commission (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 2).

Deputy Magistrate Mr Thomas Chan ruled that there was insufficient evidence to prove beyond reasonable doubt that Tsoi had manipulated the calculated opening price on each of the trading days in question.

This was the first criminal prosecution for market manipulation in Hong Kong's futures market under the Securities and Futures Ordinance (SFO).

The SFC will review today's ruling to determine whether there should be an appeal and will continue to pursue civil proceedings against Tsoi.

In addition to the criminal charges, the SFC has on 21 July 2009 sought orders in the High Court under section 213 of the SFO 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 (Note 3). The undertaking remains in force.

The civil proceedings against Tsoi contains additional allegations that were not part of the criminal trial including allegations that Tsoi continued to manipulate the COP after the commencement of the SFC's criminal proceedings (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. 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).

3. The Pre-Open Allocation Session refers to the period 9:41:00am to 9:42:59am and the period 2:26:00pm to 2:27:59pm inclusive.

4. The SFC is alleging Tsoi placed various orders between February 2007 and July 2009, aimed at manipulating the final COP on the futures exchange. Please see SFC press release dated [1 September 2009](#) for details.

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