



**UNIVERSITI TEKNOLOGI MARA**

**A STUDY OF SPESIFIC CHARACTERISTICS OF 30 SELECTED STOCKS IN  
BURSA MALAYSIA THAT ARE CONTRIBUTING TO MARKET  
MANIPULATION**

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## ABSTRACT

Stock market manipulation is an act of artificially inflating or deflating the price of a security or otherwise influencing the behavior of the market for personal gain. Manipulation is illegal in most cases, but it can be difficult for regulators and other authorities to detect. (Investopedia 2021). It is one of the most serious market offences plus very hard to be detected and to solve the case as the manipulators tend to have many ways to cover up their illegal activities such as executing their transaction by using many layers of proxies and creating multiple trading accounts for disguising their size of funds.

Based on the Capital Markets and Services Act 2007 in Malaysia, stock market manipulation is defined as the act of transacting the securities of a corporation that are likely to have the effect of raising, lowering, or maintaining the price of securities for the purpose of inducing other persons to acquire or dispose of the securities of the corporation or of a related corporation (Securities Commission Malaysia, 2015) (Kan, Y. Y., 2018).

In relation to this, I have come across an article published by The Edge Malaysia Weekly, on April 12, 2021 - April 18, 2021, with a title, "Special Report: Hidden hands behind penny stock surge under scrutiny". In the article, the publisher has put together a list of 30 stocks which had been claimed as 'the subject of manipulation' along with supporting details.

Hence, with this study, I aim to look at the specific characteristics of these 30 listed stocks in Bursa Malaysia that were contributing to the stock market manipulation.

This study used Average Negative Abnormal Return (AVNAR) as dependent variable while new business venture (NBV), outstanding shares, floating shares, net profit margin (NPM) and succeeding quarter result time frame as independent variables. The period involved will be from February 2020 which coincided with the start of the first Movement Control Order (MCO) 1.0 until March 2021. As mentioned earlier, these data were published from The Edge Malaysia Weekly which were sourced from Bloomberg.

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## **CHAPTER 1: INTRODUCTION**

### **1.1 Introduction**

Stock market manipulation has been widely criticized for causing chaos and losses among trading participants. This is due to the existence of syndicate that always focusing on low price or cheap shares to influence market players mainly newbie traders and investors who are lack of knowledge. The manipulators take advantage of other short-term investors or even speculators by influencing their buying and selling decision through main activity which is pump and dump shares. Other manipulation acts are insider trading, non-change in beneficial ownership (NCBO) trading and cornering the market. Thus, they are making humungous profit from the illegal activities.

A lot has been said about stock market manipulation and its ill-effects for causing chaos and losses among market participants. The main players are those manipulators alias 'syndicates' who influence susceptible market players such as newcomers (so-called 'newbies'), speculators, punters, and not-so-savvy investors with their illegal activities such as 'pump and dump' schemes, insider trading, non-change in beneficial ownership (NCBO) trading and cornering the market. There is, however, another side of this manipulation incident that we need to be aware of, that is, those companies or firms whose shares that have been the 'targets' of the manipulation. It is very interesting and intriguing enough to know and learn about their specific traits which have become so attractive in the eyes of the syndicates.

In Bursa Malaysia, this scenario has been occurred since bullish trend in 90s time. During the time, the stock exchange was not strictly regulated the same way as now. For example, during current time, Bursa Malaysia has enforced a tighter stock price regulation such as daily upper and lower limit of thirty (30) percent for share price above RM1.00 and 30 cent for share price below RM1.00.

This daily price control of limit up and limit down will reduce excessive speculation activities in the stock market and stabilize the stock price from being easily manipulated by syndicates or buyers that are unintended to be true beneficial owners of the shares in an adequate time considering their amount of fund that are pumped into the shares. Beneficial owner is the person who has the right to obtain all the benefits from the specific securities or in other word is the true owner of the securities.