

[Home](#) ▶ [News & announcements](#) ▶ [News](#) ▶ [Enforcement news](#)

Futures trader restrained from placing orders in Pre-Open Allocation Sessions

1 Sep 2009

The Securities and Futures Commission (SFC) has commenced proceedings against a futures trader, Mr Tsoi Bun (Note 1) seeking orders to restrain him from placing orders on the futures market during the Pre-Open Allocation Sessions (Note 2).

The SFC is alleging Tsoi placed various orders between February 2007 and July 2009, aimed at manipulating the final calculated opening price (COP) on the futures exchange (Note 3).

Last Friday, Tsoi provided an undertaking to the High Court (before the Hon Mr Justice Yam) that he will not place any order on the futures markets during the Pre-Open Allocation Sessions (Note 4).

Tsoi's undertaking applies to his trades or orders on any trading day through any trading account whether held in his name or in the name of another person. The undertaking will remain in effect until either the court rules on the SFC's allegations or the court makes a further order (Note 5).

The SFC is satisfied that this restraint will prevent Tsoi's orders from affecting the COP on the futures exchange.

The SFC is also prosecuting Tsoi for price rigging arising from various orders he placed during the Pre-Market Opening Period in respect of different futures contracts between February 2007 and September 2007.

He is facing a total of five charges and the trial will commence on 8 December 2009 in the Eastern Magistracy.

End

Notes:

1. Tsoi was formerly licensed under the Securities and Futures Ordinance (SFO) to carry on Type 2 (dealing in futures contracts) regulated activity. His licence was suspended in October 2006 and he does not currently hold an SFC licence. Please see SFC [press release](#) dated 12 October 2006 for details.
2. The proceedings were commenced under section 213 of the SFO. The original application was filed by the SFC on 21 July 2009.
3. A COP is calculated during the Pre-Market Opening Period and serves as the market opening price for the corresponding product. At the moment, it only applies to Hang Seng Index, Mini-Hang Seng Index, H-shares Index and Mini-H-shares Index futures products. 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.
4. 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.
5. Tsoi's undertaking is enforceable as if it were an order of the court. Breach of the undertaking is punishable as if it were contempt of court.

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