

# MANIPULATION IN SINGAPORE EQUITIES AROUND COMPANY ANNOUNCEMENTS

## WHAT IS MARKET MANIPULATION?

- Market Manipulation is defined as the deliberate creation of a false market in publicly traded securities with the aim of profiteering
- The study did not segregate types of manipulation; it is all-encompassing including illicit activities such as insider trading and 'front-running'

## REPORT FINDINGS

- No evidence of broad-based manipulation around company announcements on Singapore Exchange (SGX) between Jan 2011 and Dec 2016
- Observed potential instances of manipulation around company announcements on SGX are standalone events and not part of a broader phenomenon
- Demonstrates that regulatory measures have been effective in preventing broad-based market manipulation
- Recommend certain announcement categories and sectors in which regulators may wish to strengthen oversight

## METHODOLOGY

- CFA Singapore and CRISIL analyzed publicly available data to determine the presence of market manipulation
- Conducted at the overall market level by looking at announcement categories and sectors, specific subset levels such as market capitalization, listing board and domicile (S-Chips or non S-Chips) groups
- Announcements were custom-categorized for more granular analysis: 4 SGX categories and 60 sub-categories re-grouped under 15 custom categories and 106 sub-categories. The study was done across three forms of returns and for multiple cumulative holding periods, pre- and post-announcement.
- Visual inspection of price and volume performance around announcements used to identify the right methodology and key parameters to be adopted for a more formal study
- Hypothesis testing, a validation study, and robustness checks (stress tests) were conducted to ensure the stability of findings

**1<sup>ST</sup>** STUDY CARRIED OUT SINCE SIMILAR RESEARCH IN 2004

**6** YEARS OF PUBLIC DATA FROM SGX & BLOOMBERG

**1,077** COMPANIES LISTED ON SGX

**165,136** COMPANY ANNOUNCEMENTS

## INCREASE CATEGORISATION OF ANNOUNCEMENTS BY SGX

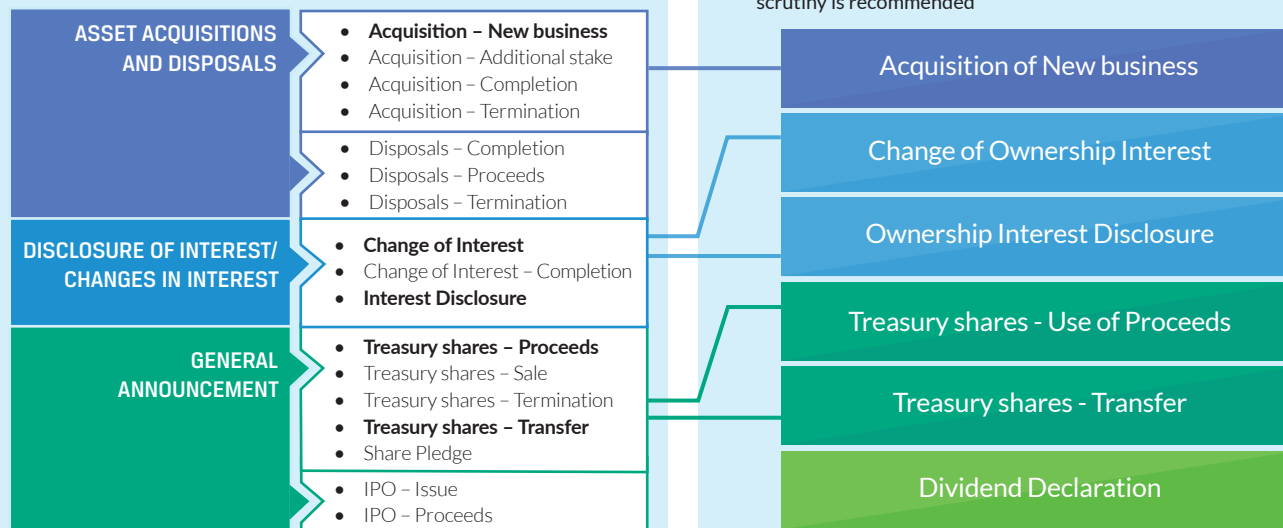
- Not all market announcements will result in a movement of prices
- A finer delineation of the categories and sub-categories on SGX may enable easier monitoring
- May allow regulators to focus on announcements that could potentially move the market

## GREATER REGULATORY OVERSIGHT ON HIGHLIGHTED TYPES OF TRANSACTIONS

- While the research found instances of abnormal movement in share prices and trading volume around company announcements, there were plausible explanations and do not constitute manipulation
- However, some transactions were found to carry a slightly higher representation in potential manipulated universe, hence closer scrutiny is recommended

## CLOSE MONITORING OF THE FINANCIALS AND REAL ESTATE SECTORS

- Greater oversight is recommended in these sectors as they appeared more frequently in the potential manipulation space
- Plausible explanations for share price movements include dividend declaration, treasury share usage (preceded by share buyback) and ownership interest, which by their very nature tend to push up prices prior to the announcement.



REAL ESTATE



FINANCIALS

For more information, access the full research report along with other materials via the CFA Institute Asia-Pacific Research Exchange (ARX) website: <https://www.arx.cfa>