

New Taipei District Prosecutors' Office Investigates Stock Price Manipulation Cases To Maintain Order in the Stock Market

The New Taipei District Prosecutors' Office is investigating a case of stock price manipulation involving executives of publicly listed companies. Under the command of Prosecutor Wang Kailin of the Corporate Crime Team of the Prosecutors' Office, the Ministry of Justice Investigation Bureau's Mobile Task Force in the northern region conducted searches on January 18, 2023, at 25 locations including the residences of company heads and the offices of the paper companies which were established by the defendants Mr. Tsai, Mr. Tsao, and Mr. Yang, the high executives the Cosmo Electronics Corporation (hereinafter referred to as "Cosmo"), and KUAN CHIA Investments Co., Ltd. (hereinafter referred to as "KUAN CHIA"), using the names of their relatives or employees as company representatives.

During the searches, mobile phone conversation records, bank passbooks, official inks, account books, and stock inventory, among other pieces of evidence, were seized. The defendants and eight witnesses were also summoned for questioning.

Since 2008, the defendant Mr. Tsai has been buying KUAN CHIA stocks through securities accounts under his actual control, as well as through the securities accounts of several dummy companies controlled by his family and friends. He used these stocks as collateral to obtain loans from multiple financial institutions. In 2017, 2018 and 2021, in order to maintain the pledge value of the KUAN CHIA stocks and manipulate the stock price, Mr. Tsai engaged in high buying and low selling through dummy accounts, as well as matched orders of buying and selling, creating daily trading volume and artificially inflating the stock price of KUAN CHIA. Through analysis and verification by the Taiwan Stock Exchange, it was found that the total amount of matched orders by Mr. Tsai reached NTD566,191,900, accounting for the highest proportion of total trading volume at 83.11% during a specific period. While the overall market increase was only 6.95% and the stock prices of similar companies decreased by 9.07%, the stock price of KUAN CHIA increased by an astonishing 45% due to the manipulation by Mr. Tsai, significantly deviating from the market trend and greatly affecting market prices and trading order.

After questioning the defendants and others on the early morning of January 19, the prosecutor determined that the defendants were suspected of violating Article 155, Paragraphs 1, Subparagraphs 4 and 5 of the Securities and Exchange Act, and

committing the offense of stock price manipulation under Article 171, Paragraph 1, Subparagraph 1 of the same Act. The defendants' suspicion is significant, but there is currently no need for detention. The defendants Mr. Tsai, Mr. Tsao, and Mr. Yang were released on bail, with amounts set at NTD500,000, NTD300,000, and NTD100,000, respectively. Mr. Tsao was also subjected to travel restrictions.

Stock price manipulation seriously disrupts the free functioning of market supply and demand and price formation. The New Taipei District Prosecutors' Office will continue to actively investigate such cases to maintain the normal order of the stock market.