

**IN THE PROCEEDINGS BEFORE THE ENFORCEMENT COMMITTEE**

**CASE NO: 26/2012**

In the matter of:

**THE DIRECTORATE OF MARKET ABUSE**

Referring Party

and

**REED, DOUGLAS**

Respondent

---

**ORDER**

---

WITH DUE CONSIDERATION to the documents placed before this Panel, including the admissions made by the respondent, the Panel finds that the respondent has contravened section 75(1) of the Securities Services Act, No 36 of 2004. We hereby impose a penalty of R2 000 000 (inclusive of costs) on the respondent in terms of section 103(1)(a) of the Securities Services Act.

Signed at **PRETORIA** on the **11<sup>TH</sup>** day of **DECEMBER 2013**.



**C F Eloff**  
**Chairperson of the Enforcement Committee**

**IN THE PROCEEDINGS BEFORE THE ENFORCEMENT  
COMMITTEE**

CASE NO: 26/2012

In the matter of:

**THE DIRECTORATE OF MARKET ABUSE**

The Referring Party

and

**REED, DOUGLAS**

Respondent

---

**ADMISSIONS BY THE RESPONDENT IN TERMS OF SECTION  
103(1) OF THE SECURITIES SERVICES ACT, NO 36 OF 2004,  
AND AGREEMENT TO PAY A PENALTY**

---

The Respondent hereby make the admissions as set out in paragraphs 2 and 4 below and offers and agrees to pay the penalty as set out in paragraph 5 below.

**1. The Enforcement Committee**

- 1.1. The Enforcement Committee is established by the Financial Services Board ("the board"), in terms of Section 97 of the Securities Act.
- 1.2. The board is a juristic person, established in terms of Section 2 of the Financial Services Board Act, 97 of 1990.
- 1.3. These proceedings are:
  - 1.3.1. referred to the Enforcement Committee in terms of Section 94(e) of the Securities Services Act, No 36 of 2004 ("Securities Act"), to be dealt with in accordance with Sections 102 to 105 thereof; and



1.3.2. at all relevant times, governed by the Securities Act.

1.4. Sections 97 to 106 have been repealed by Section 72 of the Financial Services Laws General Amendment Act 22 of 2008 ("the Act"), but remain of effect for purposes hereof.

1.5. The Directorate of Market Abuse ("the Referring Party") referred these proceedings, in terms of Section 94(e) of the Securities Act, to the Enforcement Committee.

## **2. Vox Telecom Limited**

2.1. At all material times hereto:

2.1.1. Vox Telecom Limited ("Vox") shares were listed securities as envisaged by Section 75(1) read with Section 1 of the Securities Act; and

2.1.2. the Respondent was employed as the Chief Executive Officer of Vox.

## **3. The manipulation of the Vox closing share price**

3.1. During the period 8 January 2008 to 15 September 2008 Vox shares uncrossed during the daily closing auction after orders to buy the Vox shares were sometimes entered at prices that were successively higher than the last automated trade for that particular day and at or near the close of the market ("the Practice").



- 3.2. As a result of the implementation of the Practice, the Vox closing share price was manipulated through a prohibited trading practice, as envisaged by Section 75(1) of the Securities Act ("the Prohibited Trading Practice").
  - 3.3. Dealstream Securities (Pty) Limited ("Dealstream") was approved by the JSE as a broking and non-clearing financial derivatives and products member of the JSE.
  - 3.4. Russell Owen Leigh ("Leigh"), through Dealstream, acted as the broker for Vox, the Respondent and certain Vox employees.
  - 3.5. Dealstream, certain Vox employees and the Respondent held Vox Contracts for Difference ("CFDs") and were therefore exposed to movement in the Vox share price.
  - 3.6. Dealstream employees entered orders to buy Vox shares at prices that were successively higher than the last automated trade for that particular day and at or near the close of the market.
- 4. The participation in the Practice by the Respondent**
- 4.1. During the period 8 January 2008 to 15 September 2008, the Respondent:
    - 4.1.1. Was a director of Vox, a listed company;
    - 4.1.2. from time to time relied on Leigh's advice relevant to the VOX share price;

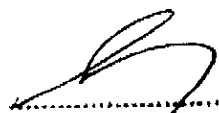


- 4.1.3. communicated with Leigh and he (Leigh) on occasion informed the Respondent of the movement in the Vox share price;
- 4.1.4. on occasion instructed Dealstream to purchase Vox CFD's to maintain the market share price of Vox shares in times of weakness, and thereby created the opportunity to purchase Vox securities on the market in such a manner that it manipulated the Vox share price; and
- 4.1.5. on occasion encouraged Dealstream to increase the Vox share price.

## 5. The administrative penalty

- 5.1. In the light of all the circumstances, the Respondent hereby tenders to pay to the board a penalty of R2 000 000, which amount includes a contribution to the costs of the Referring Party, which tender the Referring Party accepts.

SIGNED AT PRETORIA on the 9<sup>th</sup> day of DECEMBER 2013



**C K CHANETSA**  
FOR THE DIRECTORATE OF MARKET ABUSE

SIGNED AT SANDTON on the 6 day of DECEMBER 2013



**DOUGLAS REED**  
RESPONDENT