



# **OMX Surveillance Annual Report 2006**



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## **Introduction**

A fundamental requirement for a successful and profitable stock exchange business is that the activities of the exchange are performed with professionalism, and that the exchange enjoys a high degree of confidence on the market. This is something that should be kept in mind also during periods of positive market trends with continuously increasing prices of the instruments traded on the exchange.

The Surveillance function within the Nordic Exchange is to a large extent responsible for upholding the markets' confidence in the exchange by providing a credible and integrated surveillance with high competences and undisputed integrity.

The OMX Surveillance function is composed of three Surveillance Departments: Surveillance at the Stockholm Stock Exchange (SSE), Surveillance at the Copenhagen Stock Exchange (CSE) and Surveillance at the Helsinki Stock Exchange (HSE). The respective departments are organized into two groups or functions -Trading Surveillance and Issuer Surveillance. The surveillance activities are related both to the trading as such, the members' activities in different aspects, listing of financial instruments such as equities, bonds and warrants, the listed companies' activities, and other market participants' adherence to market practice.

The intention of this report is to give a survey of the main activities within the Surveillance function during 2006. In addition, the surveillance activities have also been accounted for on a monthly basis through monthly reports, which can be found on the web page of the Nordic Exchange, [www.omxgroup.com/nordicexchange](http://www.omxgroup.com/nordicexchange).

## **Summary**

### **New Rules and Regulations**

The Takeover Directive was implemented into Swedish law on July 1, 2006. The Swedish FSA is appointed Competent Authority, but essential parts of the regulation are managed by the marketplaces and the Securities Council. This means that the rules are composed of a combination of self-regulation and legislation.

A public offer regarding a company listed on the Stockholm Stock Exchange can only be made by a company that has undertaken to comply with rules that are adopted by the exchange. SSE has adopted an updated version of the takeover rules that formerly were the rules of the self regulatory body Näringslivets Börskommitté (NBK).

In Finland a new Companies Act entered into force on September 1, 2006. The new rules provided listed companies inter alia with new possibilities to use own shares as part of remunerations and acquisitions.

In Copenhagen a new Takeover Order entered into force on May 20, 2006. Further, a new Delegation Order entered into force on September 1, 2006. Hereby, the Danish FSA no longer delegates the approval of prospectuses and take over bids to CSE.

### **Listing and Delisting**

51 new companies were listed during the year, and 35 were delisted. At the end of the year a total of 599 companies were listed on the Nordic Exchange. 2,437 new warrants were listed on SSE and HSE, which is an increase of 670. 774 new bonds were listed. This is an increase compared to 2005 of 65 bonds. The increase was most remarkable at HSE. Furthermore, other financial instruments were listed: 2 new exchange traded funds (ETFs), traded in Euro, were listed on SSE, and one new ETF on HSE. In addition to this, CSE listed 21 new investment funds and 44 ex dividend funds.

### **Issues regarding Breach of Rules by Listed Companies, Members and Others**

102 written issues have been initiated regarding listed companies' non-compliance with rules or market practices. 55 of these issues resulted in written criticism from the exchanges, 4 were transferred to the Disciplinary Committees at SSE and HSE, and 5 issues at HSE were handed over to the Secretary of the Disciplinary Committee, who issued reprimands to the companies in question. The main part of the issues that resulted in written criticism concerned the companies' failure to comply with the exchanges' rules regarding dissemination of price sensitive information.

In 17 cases local and remote broker firms have received written criticism from the exchanges. In addition to this, 3 Swedish cases have been transferred to the Disciplinary Committee. The criticisms concerned situations where trading was effected to prices outside of the current market values, failure to comply with reporting rules, inappropriate behaviour as market makers, and controls and routines for automatically executed orders.

### **Decisions by the Disciplinary Committees**

Disciplinary Committees are established only at SSE and HSE. At CSE, the corresponding tasks are performed by the exchange itself with the exception of cases handled according to delegation from the Danish FSA that are of general public importance or have far-reaching ramifications. Such are decided on by the Danish Securities Council.

The Disciplinary Committee at SSE has made a decision in 5 cases. 2 of these concerned listed companies. One company was fined SEK 576,000 for not providing information about an extraordinary general meeting in time and not handling price sensitive information in the correct manner. Another issue was about a company that did not provide the market with sufficient and correct information about an acquisition agreement. The company was fined SEK 384,000. The 3 other cases regarded member firms. In one of these cases, the Disciplinary Committee decided not to issue a sanction, notwithstanding the member firm had breached the rules regarding order routing. In another case a bank had set the price of shares at a lower level than the market price, and then bought shares for its own account at that lower price. One member firm received a warning for not having correctly applied the NBK rules regarding disclosure of acquisitions and transfer of shares.

The HSE Disciplinary Committee has made a decision in 2 cases. One company was issued a warning for breaching disclosure rules, and another company was fined EUR 20,000 because it had not released substantial changes in its result and turnover estimates without undue delay.



### **Issues regarding Insider Trading and Market Abuse**

60 issues regarding suspected illegal insider trading and market abuse have been handed over from the exchanges in Finland and Sweden to the Finnish and Swedish FSAs respectively. In 2005 the corresponding number was 57. Furthermore, CSE has handed over a number of similar issues to the Danish FSA for further investigation.

### **Education and Other Confidence Building Measures**

According to new listing requirements as of October 2, 2006, all board members and the managements of the listed companies shall have adequate experience and competence to manage a listed company. For that purpose, the exchanges offer education regarding e.g. listing rules, disclosure rules and insider legislation to the employees and commissioners of the companies.

At SSE this has been a listing requirement for the last 3 years, and during that period approximately 4,500 people have participated in the training seminars. Similar kinds of seminars have also been arranged for other participants in the market. Staff from the Surveillance departments have, moreover, participated in general annual meetings of listed companies.

### **Corporate Governance**

Corporate Governance Codes are now implemented on all three markets that are operated by the Nordic Exchange. The Surveillance Departments have made examinations regarding listed companies' adherence to the Codes during 2006. A general impression is that the Codes are accepted by the companies, and that the principle "comply or explain" is being followed.

In Finland a new self-regulatory body, Securities Markets Association, was established in December.

### **Other Things**

Beside the above mentioned activities, the Surveillance Departments have handled issues like Transfer of companies to the Observation Segment of the Nordic List, different kinds of Corporate Actions, Exchange Notices and Releases regarding Disclosure of Changes in Holdings, Trading Halts and Accounting Issues. More information on these can be found in the Report.

### **First North**

First North is the name of the alternative marketplaces at CSE and SSE for small growth companies. 38 companies were admitted to trading at First North in Sweden, and 9 companies in Denmark. The companies on First North are supervised by their Certified Advisers, but at the end of the day it is the exchanges that will take disciplinary actions if a company violates the rules. One such issue was handled by SSE regarding a company that did not provide the market with adequate information regarding an important agreement entered into by the company.



For more detailed information please read the report below. If you have any questions or comments you are most welcome to contact:

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## **Stockholm Stock Exchange**

### **Listings and Delistings**

#### **Equities**

During 2006 the Issuer Surveillance department held 28 (22) meetings with IPO candidates in cooperation with Company Services. The Stockholm Stock Exchange Listing Committee held 18 (11) meetings. A total of 25 (9) listings of new company shares took place during the year. Old Mutual Plc was officially listed on the exchange, and LogicaCMG plc was registered for trading on the External List, while the other new companies were admitted for trading. KappAhl Holding AB, Gant Company AB, Diös Fastigheter AB, Biovitrum AB, BE Group AB, Rezidor Hotel Group AB, Lindab International AB, Linkmed AB and Tilgin AB were all listed after new issues or sales of existing shares. Catena AB, Husqvarna AB, Securitas Direct AB, Securitas Systems AB and Carl Lamm AB were spin-offs from listed companies. EpiCept Corporation merged with Maxim Pharmaceuticals Inc. during the fall of 2005, and Epicept Corporation was listed at the beginning of 2006. Lawson Software Inc. acquired Intentia AB and was secondary listed. 3 companies moved from First North and were listed on the exchange's main market: AarhusKarlshamn AB, Uniflex AB and Melker Shörling AB. PA Resources AB, Svithoid Tankers AB and Rejlerkoncernen AB changed their listings from other exchanges or authorized markets. New Unibet Group Ltd. made a change of domicile from the UK to Malta and was subsequently listed on the Stockholm Stock Exchange (SSE).

First North, our alternative marketplace for small growth companies, was launched on June 12. First North is a remodeling and improvement of Nya Marknaden in accordance with the Markets in Financial Instruments Directive (MiFID). During 2006, 38 (10) companies were admitted to trading on the marketplace; 12 prior to the launch of First North and 26 after the launch.

A total of 21 (15) companies were delisted during the year. Some of those are, however, still in the exchange environment due to their mergers with or acquisitions by listed companies. Resco AB was acquired by AcandoFrontec AB, Intentia AB was acquired by Lawson Software Inc., Skandia Försäkrings AB was acquired by Old Mutual Plc, Trio AB was acquired by Teligent AB, JC AB was acquired by RnB Retail and Brands AB and WM-data AB was acquired by Logica CMG Plc.. LB Icon merged with Framfab AB and thereafter changed its name to LBI International AB. Unibet Group Plc was delisted after a legal restructuring of domicile from the UK to Malta. VLT AB made a shift from being listed to being traded on First North. Optimail AB, Glocalnet AB, Klippan AB, Strålfors AB, Gambro AB, Biacore Internatioanl AB, Närkes Elektriska AB, Capiro AB, Medicover Holding S.A., Senea AB and Custos AB were delisted after successful public offers. Powerwave Technologies Inc. was delisted on request by the company itself.

The total number of listed companies on SSE at the end of the year was 273, an increase of 3 companies in comparison with year-end 2005. An analysis of the value of new listed companies year-end 2006, and the value of delisted companies that did not remain on the exchange in other business groups shows that new listed companies' value is more than MSEK 10,000 higher than the value of said delisted companies.



### **Warrants**

A total of 1,515 new warrants were listed during 2006 which is an increase on 2005 where 1,190 warrants were listed. During 2006 the number of delisted warrants was 885 (1,560). The issuer Handelsbanken listed a total of 149 (213) knock-out warrants on SSE. UBS and ABN AMRO listed a total of 32 Open-End Certificates on SSE.

### **Bonds**

A total of 503 (385) new bonds were registered during 2006 of which 400 (193) on the SOX-list, 78 (163) on the Monthly List and 25 (29) on Bulletin Board and reporting. 3 (22) MTN-programs were approved during 2006. As from January 1, 2006 SSE does not approve prospectuses. According to the Prospectus Directive the Swedish FSA is the competent authority approving prospectuses. The decrease in the listing of bonds on the Monthly List is a consequence of the implementation of the directive whereby exemption from drafting a prospectus has been waived.

### **Other Financial Instruments – Exchange Traded Funds and Subscription Options**

2 (3) Exchange Traded Funds (ETF) were listed on SSE this year. In May, Xact VINX30 was launched, which is an ETF that follows the 30 most traded shares on the Nordic stock exchanges (Stockholm, Copenhagen, Helsinki and Oslo). In September, Xact FTSE RAFI Fundamental Euro was listed. This is an ETF based on fundamental factors (cash flows, sales, book value and dividends). The two new ETFs are traded in Euro.

1 (2) subscription option was listed on SSE this year, and 4 (4) subscription options were delisted.

### **Transfer of Companies to the Observation Segment**

As a signal to the stock market a company's shares can be temporarily placed under special observation. A placing under observation shall only take place for a limited time; usually no more than 6 months.

During 2006, SSE transferred the shares of 24 (15) companies to the Observation Segment, and 4 companies that had been traded on the Observation Segment were moved back to their ordinary positions. Capiro, Custos, Cybercom Group Europe, Medcover Holding, Närkes Elektriska, Protect Data, Scania, Semcon, Senea and WM-data were placed on the Segment because the companies were subject to public offers. Biacore International, Gambro, Glocalnet, JC, Resco, Skandia, Strålfors did not fulfill the listing requirement regarding shareholder concentration, Trio did not fulfill the listing requirement regarding shareholder distribution, Daydream Software, Tripep and Viking Telecom as a consequence of a planned significant change in the companies' lines of business, and Intenia International, Optimail, and Powerwave Technologies were placed on the Observation Segment because they had applied for delisting of their shares.

Cybercom Group Europe and Semcon were transferred back from the Observation Segment because the public offers for the companies' shares were finalized, and the companies are still listed. Fastighets AB Balder (former Enlight International) and Phonera (former Viking



Telecom) were transferred back because the companies had gone through a new listing review.

### **Corporate Actions and Purchase and Sale of Own Shares**

20 (28) new share issues were carried out during 2006. The need for capital was most obvious among the technology companies. Hexagon's share issue was the biggest and totaled more than MSEK 2,700. The number of splits and reversed splits added up to 24 (19) where 21 (13) were splits and 3 (6) were reversed splits. This is a substantial increase compared with 2005. In addition to the general cash dividends, the redemption programs amounted to a substantial portion of the total transfer of value to the shareholders. There were 9 redemption programs carried out in total, 5 of which were combined with a split. This is the same number as last year. There was an increase in the number of companies distributed to the shareholders. This year 8 companies were distributed compared with 5 companies last year. Said corporate actions resulted all in all in trading in 24 (29) subscription rights, 20 (25) paid subscription shares, 3 (7) redemption rights and 10 (2) redemption shares. New share issues amounted to MSEK 6,957 (6,612), whereas the redemption programs transferred MSEK 6,915 (36,554) to the shareholders.

### **Takeover**

The Takeover Directive was implemented into Swedish law on July 1, 2006. The Swedish FSA is appointed the competent authority, but in order to keep the efficiency regarding takeover matters, essential parts of the regulation are still managed by the marketplaces and the Securities Council.

Predominantly, the Swedish implementation of the Takeover Directive consists of a new outline and editorial changes of existing rules. The material rules remain largely unchanged. Following the implementation of the Takeover Directive, the Swedish takeover regulation consists of a combination of self-regulation and legislation, fulfilling the Takeover Directive's requirement that takeover rules must be rooted in law. It is of importance to point out that the Act states that a public offer can only be made by a company that has undertaken to comply with the rules adopted by the stock exchange on which the target company's shares are listed. A contractual obligation is created between the stock exchange and the bidder, even though the latter's shares are not listed in Sweden. The target company is bound to the same rules through its listing agreement. The Disciplinary Committee may impose fines amounting to a maximum of 100 million SEK in cases of non-compliance.

The surveillance of takeovers became a new duty for SSE from July 1. During the second half of the year 11 public offers were disclosed to the market. 9 of these have been completed and none have been withdrawn. At the year-end 2 offers still have an acceptance period running. MAN's bid for Scania AB and the offer for Gambro have attracted most attention in the market. For the whole of 2006 the number of public offers disclosed to the market was 18 (12).



### **Exchange Notices and Releases regarding Disclosure of Changes in Holdings**

In connection with listings and delistings regarding financial instruments, the Issuer Surveillance department has published 1,472 (1,358) exchange notices with reference to the instruments in question.

In order to facilitate the distribution of information regarding significant changes in holdings, SSE publishes releases regarding disclosures in holdings to the market. Throughout 2006, 617 (578) such releases were published.

### **Issues regarding Breach of Rules by Listed Companies, Members and Others**

SSE has initiated 56 (63) written issues regarding listed companies and other market participants during 2006, including First North. 26 (24) cases have been concluded with written criticism from the exchange, and 2 cases have been transferred to the Disciplinary Committee. The issues that resulted in written criticism concerned the matters below.

6 companies were criticized for having disclosed information that SSE deemed insufficient in order for the market to be able to estimate the economic effect on the companies' shares. In 2 of those cases a press release about a large acquisition of another company was published, which did not include any information regarding the purchase price. In 2 other cases it was a matter of information about major orders that was disclosed without the order value being presented.

7 companies were criticized for different kinds of breaches against the rules stating that potential price sensitive information must reach the entire market simultaneously. 2 of the companies provided information only to the media, and another 2 companies gave that kind of information in conjunction with teleconferences.

One company was criticized that it did not in due time inform the market about a research discovery made by the company itself. Another company was criticized that it did not contact SSE before significant price sensitive information was released during trading, and thus, not allowing SSE to implement a trading halt to ensure fair trading in the share.

9 market participants, mainly foreign and Swedish investment firms and funds, were criticized that they did not disclose notices concerning acquisitions and transfers of shares in accordance with the rules of the Swedish Industry and Commerce Stock Exchange Committee. One case regarding a breach of the aforementioned rules was handed over to the Swedish Securities Council which expressed criticism against the company, Waldir AB.

SSE has in 80 (82) different issues during 2006 given companies and market participants remarks for less infringements to the rules. Mainly, these were companies who had made minor formal errors in their quarterly reports.

The exchange issued formal criticism towards members on 14 (16) occasions during 2006. 4 local and 8 remote members have received such criticism. 2 investigations have been opened without any formal criticism being issued. 3 investigations have resulted in the cases in question being referred to the Disciplinary Committee, and another 2 cases were still being processed at the end of the period.



The cases that led to formal criticism concerned situations where trading was deemed not to reflect the current market value of the instruments in question, failure to comply with trade reporting rules, inappropriate behavior in the role as market maker and controls and routines for Automatic Order Routing<sup>1</sup>. In comparison with 2005, the cases regarding trading off market prices concerned primarily activities during the course of a trading day rather than end of period trading.

In 4 cases as referred to above the trading in question took place by the use of Automatic Order Routing, and the criticisms were based on the members' responsibility for trading initiated by their clients. In all of these 4 cases, the members in question have agreed on the inappropriate impact of the trading activities that took place, but they have failed to uphold sufficient routines and controls to prevent such trading. Regarding 2 of the cases, routines and controls have been an important part of what has been evaluated and that which the criticism has concerned.

2 of the cases regarding trading that failed to reflect current market prices concerned close of the market orders. One concerned a number of orders to be executed at the close of the market on the last day of a quarter, and the trading had a significant market impact for a few of the securities involved. Considering how sensitive such a time is, it was considered very inappropriate not to be more careful in that trading. The other case concerned trading at the close of the market on a day that was not the last day of a month or a quarter, but where the member participated in establishing a structured product to be issued the following day based on the prices of the trading day. That is another very sensitive situation, where the trading activities of the member can affect the price for a related product or transaction in which the member has a financial interest.

One matter of formal criticism concerned a situation where an automatic trading application generated a number of orders to be traded in multiple order books. Due to an unforeseen series of events, the trading became more aggressive than the member had intended, and sudden price movements were caused in a couple of order books.

3 members have been criticized for failure to report off order book trades, so-called manual trades, in due time and manner. These failures were caused by system malfunctions in the members' trading systems, and automated trade reporting failed to be performed for relatively long periods of time for all 3 members.

3 cases concerned 3 members' activities as market makers. 2 of the members were criticized for not acting in a neutral way in relation to the prices of the securities in which they were trading. The incidents as such were not very dramatic, but the cases, nevertheless, were regarded as serious, because the principles they relate to are extremely important. The third member was criticized for a situation in which it ceased to quote prices for a number of

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<sup>1</sup> Automatic Order Routing is a facility which a member, after receiving approval by the exchange, can offer its clients. The clients will thereby be able to send orders to the exchange via the member's systems and connections. Even though no employee of the member interacts with such orders, the member is fully responsible for them in relation to the exchange.



warrants, and in which uncertainty prevailed regarding the correct values of the instruments. The member who was also the issuer of the warrants failed to provide both the exchange and market participants with relevant information in due time, whereby the conditions for trading the instruments were not fair and transparent.

In one case, criticism was issued to a member for applying the rules for Deferred Publication incorrectly. The basic rule for trade reporting is that any trade executed in an exchange listed security shall be reported to the exchange as soon as possible and no later than after 5 minutes. However, if certain criteria are met publication of such trade may be delayed<sup>2</sup>, which is being referred to as Deferred Publication in the Norex Member Rules. In this case it was concluded that the criteria had not been met even though the member had used the facility for Deferred Publication, and thus the trade should have been reported and immediately made public.

In some of the cases described above the members involved have agreed that rules were breached, and that market integrity was jeopardized by the trading incidents in question. Consequently, the incidents and the following investigations have triggered actions and precautions to be taken by the members, reducing the risk of further and more serious incidents. That of course is an important purpose of the enforcement activities undertaken by the exchange.

The exchange has undertaken investigative measures in a couple of situations where settlement problems have emerged due to members being unable to deliver securities. This is not only a settlement issue, it can potentially be a breach of the member rules, and can also be regarded as abusive market behavior. In 2007, the exchange expects to introduce buy-in rules<sup>3</sup> in the Norex Member Rules in order to implement a tool to help solve situations where settlement problems have already arisen. However, sanctions in relation to the trading rules cannot be ruled out. In particular, if the exchange once again finds that members have caused or contributed to settlement problems by short selling on own account, such obvious breaches of rules will be referred to the Disciplinary Committee.

In many of the cases referred to above, a report was sent to the Swedish FSA or the Financial Crimes Bureau regarding the activities of the client(s) of the members.

### **Decisions by the Stockholm Stock Exchange's Disciplinary Committee**

The role of SSE's Disciplinary Committee is to consider suspicions whether exchange members, brokers or listed companies have breached the rules and regulations applying on the exchange. If the exchange suspects that a member, broker or listed company has acted in breach of the exchange's rules and regulations, the matter is reported to the Disciplinary Committee. The exchange investigates such suspicions and pursues the matters, and the Disciplinary Committee issues a ruling regarding sanctions. The sanctions possible towards

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<sup>2</sup> The criteria are in short that the member must take market risk versus a client order, and that the size of the trade is above certain threshold levels.

<sup>3</sup> A "buy in" refers to a situation in which the buyer who has not received delivery of shares from a seller is given the right to buy those shares in the market, instead of further awaiting delivery from the seller, and where the cost of that "buy in" transaction is being transferred to the seller.



listed companies are warnings, fines or delisting. The fines that may be imposed range from 1 to 15 times the annual fee. The sanctions possible towards exchange members are warnings, fines or debarment, while brokers may be warned or have their brokerage license rescinded. The Disciplinary Committee's Chairman and Deputy Chairman must be lawyers with experience as judges. At least 2 of the other members of the Committee must have in-depth insight into the workings of the securities market.

The Disciplinary Committee has made a decision in 5 (9) cases during 2006. Two of those concerned listed companies. The first one concerned Wedins Skor & Accessoarar AB, and the company was fined SEK 576,000 (3 times the annual fee) for breaching the listing agreement by not providing information about an extraordinary general meeting in due time, and by lack of handling price-sensitive information in the correct manner. The first part of the Committee's decision referred to the fact that the board of directors of the company made a decision on September 27, 2005 to convene an extra general meeting because the board could not decide on the company's future governance model. The board's decision was price sensitive information but a press release was not issued until 2 days later. A few weeks after the board meeting the company received information from the company's major credit supplier that it was going to demand faster repayment on the company's loan. This was deemed price sensitive information but the board of directors decided to postpone the publication of the information in accordance with the Swedish Exchange and Clearing Operations Act. The company should, however, have informed SSE about its decision to postpone the publication, and later when the information was leaked to the media the company should have made immediate publication.

The second case concerned Wise Group AB, formerly Sign On i Stockholm AB, and the company was fined SEK 384,000 (2 times the annual fee) for breaching the company's listing agreement by not providing sufficient information in a press release. In a press release dated June 9, 2004, Sign On informed the market of an agreement it had reached concerning the acquisition of Svea Ekonomi AB. This information had a positive impact on Sign On's share price. The press release did not contain any detail stating the transaction to be conditional upon the completion of a due diligence process, or that the parties were entitled to cancel the agreement if it was not possible to reach agreement during the process. Accordingly, the only conclusion that could be drawn from the press release was that the agreement was definitive and irrevocable. However, this did not prove to be the case.

The other 3 cases concerned members' trading activities and were referred to the Disciplinary Board of the exchange. 2 of those generated sanctions.

The matter not generating a sanction concerned a member receiving orders to trade in a relatively large number of securities over a number of days using the closing price of the latest of these days, which was also the last day of the trading month, as a benchmark. The exchange argued that for one of the securities involved, the trading that took place in the closing auction of the last trading day of the month, i.e. when the benchmark was defined, was too aggressive, and that the member on behalf of its client had an interest in affecting that closing price. The Committee agreed that the actions could be regarded as a breach of the Norex Member Rules, but found the circumstances insufficient for issuing a sanction.



Another matter concerned Danske Bank and a trade that took place at the opening of the market on April 10. A client order to sell shares in Munters was placed during the opening call auction, and the price was set at a much lower level than the prices of the previous trading day. Moreover, Danske Bank entered a corresponding buy order for its own account and bought a portion of the client's shares at a price that could not be considered beneficial to the client. Danske Bank was found to have acted in breach of the Norex Member Rules, and also to have failed to act in the best interest of its client, whereby a fine of SEK 300,000 was imposed. The trader responsible received a warning.

Goldman Sachs International was warned by the Committee because they did not fulfill the obligations stated in the NBK rules concerning the disclosure of acquisitions and transfers of shares regarding their transactions in the listed company Sintercast AB.

To see the complete verdicts of the Disciplinary Committee, please visit the web page of SSE [www.omxgroup.com/nordicexchange/omhandeln/noteringochovervakning/noteringochovervakningstockholm/disciplinamnd/](http://www.omxgroup.com/nordicexchange/omhandeln/noteringochovervakning/noteringochovervakningstockholm/disciplinamnd/)

### **Trading halts**

According to the Exchange and Clearing Operations Act, SSE shall under certain conditions decide upon a trading halt. Such conditions could be a situation where the general public does not have access to equal information regarding a specific financial instrument, or does not have access to equal information regarding an issuer. A decision regarding a trading halt could also be implemented under some special circumstances, which could be the case when a company is going to publish substantial price sensitive information during continuous trading. A trading halt shall only be effective during a short period of time, normally only a few hours. Trading halts lasting more than 1 day are rare.

During 2006, SSE halted the trading 15 (13) times in shares listed on the exchange.

### **Issues regarding Suspected Insider Trading and Market Abuse, handed over to the FSA or the Economic Crimes Bureau**

45 cases of suspected breach of law or regulation were reported to the Swedish FSA and/or the Economic Crimes Bureau. In 2005, the corresponding number was 42 cases, and in 2004 33 cases were reported.

Most of the 45 cases reported concerned suspected market abuse, and predominantly suspected illegal insider trading and illegal spreading of insider information. 12 cases concerned different forms of price manipulation, for example suspected so-called "window dressing" or "wash trading"<sup>4</sup>. One of the 12 price manipulation cases referred to a situation where it looked as if someone tried to influence the trading in the shares of a company by spreading inaccurate and misleading information about the company.

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<sup>4</sup> "Window dressing" refers to a situation where someone trades a security in order to influence the price and thereby the value of an already existing holding in that security. "Wash trading" refers to trading without real transfer of risk or beneficial ownership of a security, where the actions are only intended to give the impression that trading has taken place, in order to influence pricing or to transfer funds, profits or losses.



A number of reported cases concerned situations where a market participant represented different legal bodies with different tax status, and where transactions were completed supposedly aiming at shifting the basis for taxation between the tax subjects.

One report to the Swedish FSA regarded a situation where the exchange found it questionable whether the trading member had handled a conflict of interest in a sound manner. The member had traded a large portion of a company's shares with a client who was a representative of the company in question. The company in turn was a client of said member.

### **Education of Board Members, Managers and Auditors of Listed Companies**

During 2006, more than 700 (600) people attended seminars on the topic of exchange rules and insider rules on 35 occasions. At SSE, this training became mandatory for board members, senior management and auditors of all listed company in July 2003, and since then more than 4,500 people have participated in the training seminars. When the listing requirements were harmonized on October 2 this requirement changed somewhat, and now states that the above mentioned groups "shall have sufficient competence and experience to manage a listed company and to comply with the obligations of such a company". The guidelines state that such a general understanding of stock market rules may be acquired by participating in one of the seminars offered by the exchange. A number of executives in companies traded on First North have also participated in these seminars.

### **Other Confidence Building Measures**

In order to inform about its activities and to exchange experiences with its members, Trading Surveillance has conducted a number of visits to individual member firms; an activity that was initiated during the fall of 2005. This is planned to continue and to be expanded by meetings with remote members.

Trading Surveillance has also participated as instructors at a number of training courses for new exchange traders, and at a seminar for compliance officers with Swedish financial institutions.

During the year, staff from the Issuer Surveillance group attended 12 annual general meetings, and arranged numerous meetings with warrant- and bond issuers, advisors and journalists. In cooperation with the Swedish FSA a hearing was held for share issuers and advisors on the recently implemented prospectus directive. In addition to this there have been arrangements in the form of general seminars and meetings for journalists, issuers and advisors regarding new issuer rules.

Staff from the Issuer Surveillance department have also participated as main speakers at seminars regarding listings arranged by the Swedish Shareholders Association. We have trained all members of the Shareholders Association who attend the listed companies' general meetings in exchange rules. We have also arranged special seminars for the staff at the institutional investors Tredje- and Sjunde AP-fonden.



### **Corporate Governance**

2006 was the first full year for the Swedish Corporate Governance Code. At the end of the year, 99 companies had applied the Code.

In an investigation made by the exchange how companies comply with the Code some general findings were made. One observation was that often it is hard to understand whether a company complies with the Code or not. Overall, the assessment showed that the corporate governance reports were very generally written and did not contain much company specific information. Another observation was that it sometimes was hard to find information about given explanations made according to the Code.

### **Accounting Issues**

2006 was the last year for the Panel for Monitoring Financial Reports (the Panel) to ensure that Swedish companies prepare their financial reports in accordance with law and generally accepted accounting principles. During the year it was decided that the Panel should close its activities. The Panel made 3 statements during the year that related to findings in the annual reports for 2004. The last activity for the Panel was to produce a summary of the most important findings in the annual reports for 2005 and interim reports during 2006. The Summary will be sent to all Swedish companies at the very beginning of 2007.

There is an ongoing discussion between SSE and the Swedish Financial Supervisory Authority on how the surveillance of financial reporting shall be carried out in future.

Furthermore, also in 2006 SSE arranged the competition “The Best Financial Reporting” in 2006. Winner in the segment for large companies was NCC AB, and in the segment for smaller companies the winner was Elanders AB.

### **First North**

A public warning was issued to FlyMe Europe AB which is traded on First North. The company disclosed on September 1, 2006 an acquisition of a large part of a British company but did not inform the market that the deal was conditional on approval from the British Civil Aviation Authority. When the company later the same month released the abandonment of the deal, no reasons for this action were presented. With its actions the company had contravened First North’s rules because it presented the business transaction in such a way that it seemed to be signed and sealed despite this not being the case.



## **Helsinki Stock Exchange**

### **Listings and Delistings**

#### **Equities**

The Listing Committee decided on listing 6 (9) companies on the Helsinki Stock Exchange (HSE) in 2006. The shares of Salcomp Oyj, Ahlstrom Oyj and FIM Group Oyj were listed on the Pre List and later on the Main List. The shares of Orion Oyj and Oriola-KD Oyj were listed on the Main List. The shares of Outokumpu Technology Oyj were listed on the Pre List and later on the Nordic List.

The Listing Committee decided on the delisting of 7 (3) companies. Pohjola Oyj was delisted from the Main List, because it was acquired by another listed company, OKO Bank Oyj. The shares of Saunalahti Group Oyj were acquired by the listed company Elisa Oyj. Furthermore, the shares of Suomen Spar Oyj were delisted from the I List after acquisition by another company. The shares of Sentera Oyj were delisted from the NM List, because the company was acquired by the listed company Sysopen Digia Oyj. The shares of Fortum Espoo Oyj were delisted from the Main List after the listed company Fortum Corporation had acquired all shares in the company. Due to a demerger into two new companies, the shares of Orion Oyj were delisted from the Main List. The shares of Kekkilä Oyj were delisted from the I List, because customary and regular trading in the security was no longer possible.

The total number of listed companies at the end of year 2006 was 136 (137). One company was listed on the BL Market.

#### **Warrants**

A total of 922 covered warrants were listed during the year. This is a significant increase in the number of listed warrants in comparison with year 2005 where 577 warrants were listed. The number of delisted warrants was 826 (550). At the end of the year, a total of 339 (342) warrants were listed on HSE.

#### **Bonds**

There was also a remarkable increase in the number of listed bonds. A total of 105 (75) bonds were listed and 68 (65) bonds were delisted.

#### **Exchange Traded Funds (ETFs)**

One new ETF was listed during the year, XACT OMXH25. In total, two ETFs were listed at the end of the year. At the end of year 2005 one ETF was listed on HSE.

#### **Option Rights**

A total of 22 (24) option rights and 18 (25) additional lots of option rights were listed. 41 (26) option rights were delisted.



### **Transfer of Companies to the Observation Segment**

The purpose of the Observation Segment is to alert the market of special facts and circumstances or actions pertaining to the issuer or security in question. The Observation Segment is a subset of the Official List.

9 companies were transferred to the Observation Segment during 2006. The figure for 2005 was 4. The shares of Saunalahti Group Oyj, Suomen Spar Oyj, Pohjola Oyj, Kekkilä Oyj, Sentera Oyj and Fortum Espoo Oyj were placed on the Observation Segment due to the fact that the companies had applied for delisting.

The shares of Oral Hammaslääkärit Oyj were transferred to the Observation Segment, because there was a change in the line of business due to a business acquisition. The company was transferred back to its normal position after publishing a prospectus.

Moreover, the shares of Oyj Leo Longlife Plc were transferred to the Observation Segment, because a business acquisition of a non-listed company resulted in a change in the line of business. The company's name was changed to Tiimari Oyj, and it was transferred back to its normal position after publishing a prospectus.

Finnlines Oyj was placed on the Observation Segment because a public offer was raised in respect of the company. The company was transferred back to its normal position when the offer period ended. Finnlines Oyj was once more placed on the Observation Segment when an obligation to make a mandatory tender offer for all shares in the company was published.

### **Corporate Actions and Acquisitions of Own Shares**

Surveillance made 285 (338) decisions to admit to trading additional lots of shares. 34 (40) of these were related to directed issues and 3 to combination of share series. The remainder was related to shares subscribed with option rights or convertible bonds and conversion of share series. In addition, 6 splits and 3 bonus issues were processed. (6 splits and 4 reversed splits in year 2005).

In total 20 (36) companies acquired own shares during the period.

### **Exchange Notices**

HSE prepared and published 1,172 (1,174) stock exchange releases related to the listing of new instruments, additional lots of shares and other instruments, liquidity providing and changes in names and changes in trading or broker codes.

### **Issues regarding Breach of Rules by Listed Companies, Members and Others**

HSE has sent 31 (29) written requests for statements. 14 (14) of those resulted in criticism from the exchange; 5 were forwarded to the secretary of the Disciplinary Committee and 2 to the Disciplinary Committee. The surveillance cases that resulted in criticism from the exchange concerned the 13 (14) issues below.

One listed company was criticized for not having disclosed changes in the board of directors' proposals to the annual general meeting (AGM).



Another listed company was asked to pay attention to the commenting on public information that was not done in accordance with the rules. In addition, it was stated that a listed company is not allowed to restrict in its agreements with business counterparties its regulatory based duty to disclose information.

One listed company was criticized after giving more precise - than previously published - forward-looking information in a meeting with a reporter.

2 listed companies received criticism because the companies had not disclosed proposals made by the board of directors to the AGM without undue delay.

In addition, HSE has issued criticism to another listed company for information given at the AGM. The listed company presented issues at the AGM, which might materially affect the value of its listed security. This previously unpublished information was not disclosed by a stock exchange release until after the AGM had ended.

Furthermore, one listed company was criticized for not having organized its financial reporting appropriately taking into consideration the nature and scope of the company's operations.

One listed company was criticized for not having disclosed a stock exchange release regarding a business acquisition without undue delay. If the company had acted carefully and prepared the stock exchange release in advance, it would have been possible to disclose the made agreement without undue delay.

One listed company was criticized for not having disclosed a decision by the company's board of directors to use the authorization given by the general meeting regarding the acquisition of the company's own shares.

One listed company was criticized for having given a more precise future outlook to the media than was earlier disclosed by stock exchange releases.

Another listed company was criticized for not having disclosed without undue delay a stock exchange release regarding an order. The company had not acted carefully and prepared a stock exchange release in advance. Thus, it was not possible for the company to disclose the agreement in due time.

HSE called two members' attention to their inadequate compliance with the rules regarding reporting of manual trades.

One member was criticized for not having paid attention to the member's responsibility for order placement with HSE by use of Automated Trading. In this case client orders were executed in conflict with the current market price.



### **Decisions by the Helsinki Stock Exchange's Disciplinary Committee and by the Committee's Secretary**

The Disciplinary Committee of HSE handled 2 (0) cases during 2006. The secretary of the Disciplinary Committee issued 5 (6) reprimands to listed companies during the same time.

The Disciplinary Committee of HSE issued Stora Enso Oyj a warning for breaching the disclosure requirements applicable to listed companies. The Disciplinary Committee observed that the company had not disclosed a stock exchange release concerning its profitability and operating profit growth estimate, which the company's executive management had presented among others at its AGM.

The Disciplinary Committee of HSE decided to issue Benefon Oyj a disciplinary fine of EUR 20,000 for the violation of the regulations regarding the disclosure obligation. The Disciplinary Committee considered it proven that Benefon did not release substantial changes in its result and turnover estimates without undue delay during the period January 12-May 19, 2006, or changed information concerning the release of its new product. The Disciplinary Committee noted that the company had used the term 'launching' in its released announcements in a manner that was inconsistent and misleading to investors. The fact that the company did not provide sufficient or consistent information, might have mislead investors. The Disciplinary Committee also noted that Benefon had violated the concurrence requirement for communications (regulations 3.1.1 and 3.1.8). On June 26, 2006, the company released a press release concerning the new product schedules and result estimate revisions. The company made the issue official with a stock exchange release on June 28, 2006.

The secretary of the Disciplinary Board of HSE issued a reprimand to one listed company for the violation of the disclosure rules. The company was reprimanded due to the fact that the company had not commented on public information without undue delay. The public information had a material effect on the pricing of the company's securities. When the company published a release regarding the issue, it turned out that the public information to a large extent was accurate. In addition, the exchange stated to the company that, as a listed company, it must adhere to its duty to disclose information, regardless of possible confidentiality agreements concluded with other parties.

Moreover, a company received a reprimand for breaching the disclosure rules. The company was given a reprimand because it had not simultaneously disclosed a decision which could materially affect the value of its listed security. The decision was first presented at the AGM and was disclosed by a stock exchange release only after the AGM had ended.

One listed company received a reprimand because a decision made by the board of directors, which materially affected the value of the share, was not disclosed without undue delay. The decision was disclosed the next day at 10 am. If the company had acted carefully, the company could have disclosed the decision on the same day. The decision was not even disclosed in due course before the opening auction started at 9.45 am. Thus, the company endangered investors' access to true and fair information regarding the listed security at the matching of the auction, and at the beginning of the continuous trading.



Furthermore, the Secretary of the Disciplinary Committee issued a reprimand to one listed company for not having disclosed a profit warning.

Finally, one listed company received a reprimand because information, which had a material effect on the value of the share, was not disclosed without undue delay. In this case it should have been clear to the company that it has a duty to disclose such information. The information was published only several hours after the company became aware of the information. The reprimand was issued, because the company had preliminarily decided not to disclose the information at all based on the agreement with the third party. If the company had prepared the disclosure in advance, the information could have been disclosed immediately.

To see the complete verdicts of the Disciplinary Committee, please visit the web page of HSE at [www.omxgroup.com/nordicexchange](http://www.omxgroup.com/nordicexchange)

### **Trading halts**

According to the Securities Markets Act HSE shall halt trading in a security where it is necessary due to a procedure in violation of a) the provisions and regulations on the operations of the stock exchange, b) the stock exchange's rules of proper practice or c) for other reasons with material effect on the price formation of a security. During 2006, HSE suspended trading 8 times. The corresponding figure for year 2005 was 6.

Trading in the shares and the option rights in Capman Oyj was suspended at the company's own request, because there was public information about possible arrangements to combine the company with another company.

Trading in the shares and option rights in TJ Group Oyj was suspended when the decision of the Helsinki district court concerning the share issue and sales of TJ Group Oyj in the year 2000 was announced.

Trading in the shares in Finnlines Oyj was suspended due to Grimaldi Group's plan of making a voluntary offer for all the shares in Finnlies Oyj. The suspension was done at the exchange's decision and ended after a stock exchange release was published.

Trading in the shares in Componenta Oyj was suspended on request by the company. Information regarding a business acquisition had leaked.

Trading in the shares in Sampo Oyj was suspended on request by the company. Trading continued when it was later disclosed that the company had signed an agreement to sell all Sampo Bank Plc's shares to Danske Bank A/S.

### **Issues regarding Suspected Insider Trading and Market Abuse handed over to the FSA**

12 cases of possible abuse of insider information and 3 cases regarding possible market manipulation have been handed over to the Finnish Financial Supervisory Authority. During year 2005 a total of 15 cases were handed over to the Finnish FSA.



## **Education**

The Surveillance department has provided education to new listed companies and already listed companies. In June, HSE held a seminar for listed companies concerning among others disclosure rules, insider rules and corporate governance. Approximately 140 persons participated.

During the fall several seminars and informative sessions have been held regarding the new listing rules. The target groups for these seminars and informative sessions were corporate finance houses, private equity companies and companies planning listing.

The Surveillance department has also participated in the education of new traders, and prepared and corrected their exams on questions regarding Finnish Securities Market legislation and Stock Exchange regulation.

## **Corporate Governance and Securities Market Association**

The Confederation of Finnish Industries EK, Helsinki Stock Exchange Ltd and the Central Chamber of Commerce have established a Securities Market Association on December 21, 2006.

The founding members of the new association share a common view concerning development of cooperation and promotion of joint rules, or self-regulation. There is a pressing need to develop self-regulation in the field. The association will administer the Corporate Governance Recommendations for Listed Companies that was introduced in July 2004 and is incorporated in the rules of HSE.

The Nordic Exchange adopted a joint stock exchange list in October 2006. This also sparked discussions on the need to standardize the CG rules in all Nordic countries. The association will participate in any eventual standardization efforts. A preparatory working group has been established for this purpose under the chairmanship of Legal Affairs General Counsel, Ms Anne Leppälä-Nilsson from Kesko. The members of the group are Senior Vice President for Legal Affairs Mr Jyrki Kurkinen from Stora Enso, Group Chief Counsel Ms Ilona Ervasti-Vaintola from Sampo, Senior Deputy Director Ms Leena Linnainmaa from the Central Chamber of Commerce, Managing Director Mr Timo Löyttyniemi from the State Pension Fund and General Counsel Mr Jaakko Raulo from OMX.

The HSE Surveillance function supervises the companies' compliance with the Corporate Governance Recommendations. A study concerning the listed companies' compliance with the Recommendations was made during the spring of 2006. The results were presented in June at the above mentioned seminar for listed companies. The study was a follow-up of the study made in the fall of 2005. According to the study 97 companies complied with the Recommendations without deviations in comparison to only 80 according to the previous study made in 2005. 34 companies had still deviations that were explained in accordance with the "comply or explain" principle. Still 6 companies had either deviations, which were not explained, or had not disclosed all details about their compliance with the Recommendation.



### **Rules and Regulations**

During 2006 the Surveillance department has focused on participating in the Nordic List project and the harmonization of the listing rules. New listing rules entered into force on October 2, 2006. In addition, Surveillance has focused on harmonizing the listing practices regarding the work of the Listing Committees in Finland, Sweden and Denmark, and the listing of other financial instruments. The harmonization project strives for the goal that the processes are harmonized during year 2007. Surveillance has also had a major focus on harmonizing the disclosure requirements between the Nordic Exchanges. Also these changes should be implemented during year 2007.

The new Companies Act entered into force in Finland on September 1, 2006. This has caused few minor changes in exchange regulations, which are implemented in connection with the implementation of the changes in the Securities Market Act. In general, the new Companies Act provides the listed companies with among other issues some new possibilities to use different kinds of new practices in relation to issuing and using its own shares as a part of remunerations or payment in the acquisitions. Due to the implementation of the Transparency Directive changes to the Securities Market Act and to Stock Exchange regulations have been prepared, and these should enter into force during the first quarter of 2007.

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## **Copenhagen Stock Exchange**

### **Listings and Delistings**

#### **Equities**

The Copenhagen Stock Exchange (CSE) welcomed 20 (6) new companies in 2006. One company, Rella Holding A/S, was listed without prior supply of shares. The other 19 companies all supplied new shares before the listing.

In the group “Finance” 10 new companies, KapitalPleje, Formuepleje Safe, Formuepleje Epikur, Formuepleje Penta, Formuepleje Optimum, Formuepleje Pareto, Griffin III Berlin B and Sparekassen Himmerland, were listed. Gross proceeds of DKK 867 million were injected into KapitalPleje, while gross proceeds of DKK 1,266 million were injected into the five Formuepleje companies. Gross proceeds of DKK 525 million were injected into Griffin III Berlin B, and gross proceeds of DKK 249.1 million were injected into Sparekassen Himmerland. Curalogic, Lifecycle Pharma and ChemoMetec were listed in the group “Healthcare”. Gross proceeds of DKK 216 million, DKK 556.6 million and DKK 10 million were injected into Curalogic, Lifecycle Pharma and ChemoMetec respectively. In the group “Information Technology” cBrain, Mondo and Comendo were listed. Gross proceeds of DKK 10 million were injected into cBrain, DKK 30.2 million were injected into Mondo and DKK 15 million were injected into Comendo. In the group “Industrials” Røvsing was listed and gross proceeds of DKK 30 million were injected into the company. In the group “Consumer Staples” First Farms was listed and gross proceeds of DKK 433.6 million were injected into the company.

A total of 190 companies were listed year-end 2006, which is an increase on 2005 of 13.

7 (15) companies were delisted from CSE in 2006; one of the companies due to a merger with another listed company.

#### **Bonds**

During 2006 15 (17) new issuers entered the bond market on CSE, and 166 (249) new bonds were listed. At the end of 2006, a total of 2,278 (2,257) bonds were listed on the CSE bond market, corresponding to a circulating amount of DKK 3,055 billion (DKK 2,706 billion).

#### **Collective Investment Funds**

2006 saw the launch of 21 (33) new investment funds, bringing the total number of funds year-end 2006 to 270 (265). On top of this 44 (38) of the so-called ex dividend funds were listed.

16 (7) funds were delisted during the year due to mergers, and 8 (2) funds were de-registered from the XtraList due to a shift to be listed on the equity market.

A considerable number of corporate actions were performed in 2006, which saw 41 (19) name changes and 13 (2) mergers. The greater part of these was a result of a change in the taxation legislation on January 1, 2006.



The total market value of the funds' units amounts to DKK 316.3 billion (DKK 261.5 billion). This includes the XtraList with DKK 23.1 billion (DKK 30 billion).

The regulated market, the XtraMarked, was established in 2002 as a consequence of changes in the taxation legislation regarding bonds. In the fall of 2005 yet another change to such Acts was decided upon resulting in a resolution to close down the XtraMarked. Thus, 19 September 2006 was the last trading day on this market. All of the non-listed funds on the XtraMarked chose to become listed, and the change to the listed market was made with effect from and including September 20, 2006.

### **Corporate Actions and Purchase and Sale of Own Shares**

In 2006 issues injected nearly DKK 29.9 billion into already listed companies (DKK 3.5 billion). The injection of capital to the companies in the group "Industry" amounted to DKK 8.1 billion, while DKK 19 billion respectively DKK 1.9 billion were injected into companies in the groups "Finance" and "Healthcare".

In comparison, in 2005 the already listed companies raised capital via new issues amounting to almost DKK 3.5 billion compared to DKK 11.1 billion in 2004.

CSE was during the period notified about 92 cases of either purchase or sale of own shares by listed companies, where the holdings of own shares changed 2 % of each of the companys' share capital (129 cases).

In total CSE carried through 132 corporate actions of different types during 2006 (117).

### **The Observation Segment**

13 (22) companies were transferred to the Observation Segment in 2006. Of these 4 were under observation due to takeover bids, and the rest were transferred due to various issues; e.g. waiting for delisting, completion of important deals etc.

DSV A/S was transferred because it intended to submit a recommended cash offer to the shareholders in Koninklijke Frans Maas Groep, N.V. Theodor Ejendomsvest A/S was transferred because AM Grupper A/S and Aandahl A/S wanted to submit a bid to the shareholders in Theodor Ejendomsinvest. SIF Fodbold Support A/S was transferred because Silkeborg Fodbold Holding A/S had announced that the company would submit a mandatory bid for SIF Fodbold Support A/S. Olicom was transferred because the company's financial statements were not audited, and because negotiations with a possible investor was not completed.

PARKEN Sport & Entertainment was transferred to the Observation Segment due to the fact that the company announced that a conditional framework agreement was entered into to buy the controlling interest in Fitness.dk A/S. Nesa A/S was transferred due to the fact that the majority shareholder wanted to start a compulsory redemption of the minority shareholders and delist Nesa from CSE. Keops A/S was transferred due to the fact that the company announced that the company's Supervisory Board had decided to acquire the majority of the shares in the construction enterprise, M2 A/S. The agreement was conditioned on satisfactory outcome of a due diligence of M2.



Torsana was transferred to the Observation Segment due to the fact that Torsana had received information that Juel Nielsen Holding A/S had made a conditional agreement on transfer of Juel Nielsen Holding A/S' entire block of shares to Vipros Holding A/S. When the agreement is final, Vipros Holding A/S will make an offer to the remaining B-shareholders.

Color Print was transferred due to the fact that PCP 2006 Holding A/S submitted a voluntary conditional cash offer to the shareholders in Color Print. Greentech Energy Systems (Greentech) was transferred when the company announced that Greentech had explored the opportunities to carry out a merger with the Danish company Vindenergi Invest A/S (VEI) with Greentech as the continuing company. On Greentech's part the merger is conditioned on a due diligence of all projects and project rights, which have not yet been finalized.

NeuroSearch A/S was transferred to the Observation Segment, because the company had announced that a conditional agreement to acquire A. Carlsson Research AB (Carlsson Research) had been signed. The acquisition was conditional, inter alia, upon a share offering being made by NeuroSearch. The agreement with Carlsson Research changed NeuroSearch's expectations for the annual results.

Olicom A/S was transferred because the company in its half-year financial statements announced that the report had been prepared under the assumption that the previously announced co-operation with Investeringselskabet Elkær Invest A/S, including the plans for a rights issue, would be carried through. If such rights issue will not be carried through, the company must provide funding from other sources in order to secure continued operations.

In October, Bodilsen Holding A/S was transferred to the Observation Segment due to the fact that the board of directors of the company had received a message from the company's primary bank that a possible new investor had made an offer to the involved banks to buy the total share capital of the subsidiary, Bodilsen A/S. The company further announced that were the offer to be carried through, the share capital of Bodilsen Holding A/S would be lost because the proceeds would not be enough to cover the entire portfolio of loans, and it was a prerequisite for the deal that the bank wrote down its loans.

17 companies were removed from the Observation Segment. BioMar Holding was removed from the Observation List due to the fact that Schouw & Co. had acquired less than 90 per cent of the share capital and the voting rights in BioMar Holding on expiry of the mandatory tender offer. Consequently, BioMar Holding would retain its listing on CSE with Schouw & Co. as the principal shareholder.

D/S Orion A/S was removed because the company was no longer covered by the provisions on loss of capital of section 69a of the Danish Public Companies Act. Schaumann Holding A/S was removed because the company had subscribed for 100 per cent of the share capital increase of 3,750,000 new shares in Schaumann Properties A/S. Solar Holding A/S was removed from the observation list due to the fact that the company announced that the



merger between Aktieselskabet Nordisk Solar Compagni and Solar Holding A/S was concluded. FLSmith & Co was removed from the Observation Segment due to the fact that the company's share classes were amalgamated on May 2, 2006.

SIF Fodbold Support A/S was removed when the company announced the result of the compulsory tender offer. Olicom A/S was removed when the company announced that Olicom and Investeringselskabet Elkær Invest A/S had started to implement a co-operation agreement. Walls A/S was removed, when the company announced that the merger between Walls and seven property development companies had been completed with Walls as the continuing company. Live Networks Holding A/S was removed when the company announced that the Commerce and Companies Agency had notified that the in-depth investigation of the company's half-year report 2005 was finalised.

Aasgaard Development was removed when the company announced that Aasgaard Development completed the agreement about selling the company's block of shares in Agnito A/S and ProTelevision Technologies Corp. A/S to Stensdal Holding A/S. PARKEN Sport & Entertainment was removed when the company announced that in regards to the framework agreement of PARKEN Sport & Entertainment A/S's acquisition of the share capital in Fitnessdk A/S, the two parties had completed the due diligence phase and as a result the two parties had signed a share transfer agreement.

Victoria Properties A/S was in August removed from the observation list due to the fact that Vipro Holding A/S had announced that, at the end of the mandatory offer to the shareholders in Victoria Properties, Vipro Holding had received accept from shareholders for 72,652 B-shares corresponding to 3,66 % of the share capital.

Keops A/S was removed from the observation segment due to the fact that the company had announced that it had acquired the property portfolio from the Swedish listed property company, Kungsleden AB.

NeuroSearch A/S was removed from the observation segment when the company announced that the acquisition of all the shares in A. Carlsson Research AB was finalised.

Tower Group was removed from the Observation Segment when the company announced that the end of the mandatory offer period set forward by Hebojama Aps had expired without any acceptances.

### **Notices regarding Disclosure of Changes in Holdings**

318 (315) disclosures regarding changes in holdings from major shareholders were reported to CSE during 2006.

### **Issues regarding Breaches of Rules by Listed Companies, Members and Others**

At CSE there is at present no Disciplinary Committee. This task is instead handled by the exchange itself.

During 2006, CSE made 15 decisions and statements regarding the behavior of listed companies (22).



In one of the cases a listed company published a quarterly statement which included significant downward adjustments of the company's outlook compared with previously announced forecasts resulting in a dramatic reaction in prices. CSE informed the company that the exchange assumes a listed company to continuously assess its reporting routines in order to be able to revise its outlook on an ongoing basis.

In another case CSE found that a newspaper had published information on a listed company, from which it appeared that the CEO of the company indicated the already published result was to be adjusted downwards. Based on the company's answer CSE did not find reason to believe that non-published, price-sensitive information had been passed on.

A listed company stated in a disclosure that an employee had by mistake published an internal working paper from the company's preparations on the annual report. The internal working paper was attached to the disclosure. CSE expressed disapproval of the fact that text from the company's not yet published annual report had been disseminated via the internet prior to publication via the exchange. Conclusively, the exchange noted that the company had launched a number of initiatives to avoid such incidences in the future.

CSE noted that a CEO of a listed company was quoted on the website of a news agency as having said that the company had been approached by potential buyers. The exchange learned that the price of the company's shares was traded up immediately after the statement. The exchange pointed out to the company that it was unacceptable that the statement and the participation in the interview had caused uncertainty about the situation of the company.

CSE has on one occasion criticized a listed company for having failed to publish the preliminary disclosure regarding the annual results 2005 within the three-month limit stated in the Disclosure Requirements for listed companies on CSE.

CSE issued a reprimand to a listed company for giving information to the press, which could cause uncertainty on the market, and not respecting the rules on simultaneous disclosure.

CSE criticized a listed company for lack of rules and procedures to ensure that insider information was not published in a press release or elsewhere prior to the publishing via the stock exchange announcement. Furthermore, the exchange criticized the company for having inadequate readiness to ensure immediate disclosure upon being informed that a press release was published by a related company that demanded that the company published a release to the market.

7 listed companies got a reprimand for not having the company's stock exchange announcements available on the company's web site.



### **Trading halts**

CSE decides on trading halts as a routine prior to disclosures containing potential price-sensitive information. Furthermore, in some cases the exchange initiates special trading halts in cases of expected disclosures containing price-sensitive information.

1,575 matching halts were initiated during 2006. The figure for 2005 is not available.

### **Issues regarding Suspected Insider Trading and Market Abuse handed over to the FSA**

Trading Surveillance Denmark investigates cases of suspicious insider dealings and market manipulation. The exchange continuously carries out market surveillance on a real time basis which might lead on to more thorough investigations. In a number of cases the result of this investigation has been handed over to the Danish Financial Supervisory Authority for further provisions.

### **Failure to adhere to Trading Rules and Rules for Trade Reporting**

Surveillance Denmark has issued 2 written reprimands for breaches of Norex Member Rules. In other cases Surveillance Denmark has criticized members' behaviour in relation to rules for trade reporting. Some cases have been handed over to the Danish FSA.

### **Education**

In 2006 Surveillance Denmark carried out 4 training sessions on Disclosure Requirements for members of listed companies as well as auditors. In addition to these open seminars a number of ad hoc activities and presentations for managers and board members in specific listed companies have been carried out. Two seminars aimed at traders and compliance officers were held to cover the trading rules of CSE and separate trading issues. The seminars were followed by a number of visits to individual member firms.

### **Other Confidence Building Measures**

CSE published in December a decision that in future it will publish decisions and statements on members' breach of the rules applicable to securities dealers. Thus, decisions and statements regarding the exchange's trading rules applicable to members (Norex Member Rules and the Rules of Stock Exchange Ethics) will be published in the publication Decisions and Statements. In general, the identity of the member will be disclosed when the decisions are published. In less serious cases or cases where the decision is not against the member the exchange may, on the basis of a specific assessment, refrain from disclosing the identity of the member. Previously, such decisions and statements were published in an anonymous form in the monthly press release by CSE. With this change the exchange wants to give market participants a more direct insight into the exchange's interpretation of the trading rules.

### **Corporate Governance**

CSE has studied the 2005 annual reports of the listed companies and concludes that the CSE Corporate Governance recommendations have been well received by several companies. A number of companies have stated their position to the "comply-or-explain" principle from the Corporate Governance recommendations.



In their 2005 annual reports, more than 73 % of the OMXC20 companies stated their positions on the revised Corporate Governance recommendations. From this CSE can observe that approximately 40 % of the OMXC20 companies have used the “comply-or-explain” principle.

29 % of the Midcap+ companies have stated their positions on the revised recommendations and 25 % have implemented the “comply-or-explain” principle.

46% of the Smallcap+ companies have stated their positions on the revised recommendations and 35 % have implemented the “comply-or-explain” principle.

### **Rules and Regulations**

On May 20, 2006 the new Executive Order on Takeover Bids and Shareholders' Disclosure Requirements was implemented.

On August 21, 2006 the new Executive order no 887 by the Danish FSA regarding the delegation of rights to the Copenhagen Stock Exchange A/S and Dansk Autoriseret Markedsplads A/S was implemented. Hereby, the Danish FSA no longer delegates the approval process for new prospectuses and acquisition offers.