

Surveillance and Enforcement

September 2006

Stockholm Stock Exchange

One matter regarding an exchange member has been decided by The Disciplinary Committee of the Stockholm Stock Exchange (SSE) during September. The matter concerned Danske Bank and one of its authorized traders and the handling of a number of client orders to be executed at the opening of the market of a certain trading day. For one of the securities involved, execution of the orders resulted in trading at prices that was significantly lower than the prices at which trading had taken place prior to that time and also after the incident in question. Moreover, the bank itself bought shares from its client at that lower price. This handling was decided to constitute a breach of section 4.6.1 of the Norex Member Rules (which in short states that trading shall take place at current market values) and also a violation of Swedish law¹ since the interest of the client had not been sufficiently protected. The Committee imposed a fine of SEK 200 000 for Danske Bank and also issued a warning to the employee.

The SSE has issued criticism to one company for infringes of the rules that were not of such a serious nature that they required to be handled by the Disciplinary Committee. The company was criticized for having insufficient information in a press release regarding a material acquisition that the company had made. The company did not in the initial release disclose the purchase price of the acquisition.

During the month, the SSE has issued criticism towards exchange members on two occasions, in connection with breaches of exchange rules. One of the matters concerned the member's activities in the capacity of a market maker and where the Exchange considered that the member's price quotations could be regarded not to have represented current market values. The Exchange chose to clarify the principles that shall govern a market maker's activities in the order books.

The second matter concerned a member that enables automatic order routings for its clients and in doing so, orders were accepted without price limits. In these situations, the member's systems had automatically assigned and updated price limits for the orders before dispatching them to the market. However, the logics that have been applied in doing so has failed to define any outer boundaries for the prices at which trading has been allowed and enabled, even though the trading rules demand technical and administrative controls to ensure that automatically routed orders comply with the Norex Member Rules. The Exchange has regarded this failure seriously.

During the month, two cases have been handed over to the Swedish Financial Supervisory Authority and both of them have concerned suspected illegal insider trading.

Helsinki Stock Exchange

The share of Kekkilä Oyj, Fortum Espoo Oyj and Sentera Oyj were transferred to the observation segment, because the companies had applied for delisting.

The share of Oyj Leo Longlife Plc was transferred to the observation segment, because a business acquisition of a non-listed company had resulted in a change in the line of business.

¹ The Act regarding Factors, Commercial Agents and Commercial Travelers

Copenhagen Stock Exchange

One company got a reprimand for not publishing a stock exchange announcement according to the rules about a company's incentive programme.

One listed company got a reprimand for informing the media that there would be a press meeting where news would be presented, without simultaneously publishing the information via the Copenhagen Stock Exchange.

A listed collective investment fund got a reprimand for not keeping the deadline for publishing its semi annual report.

Four listed companies got reprimands for not having the companies' stock exchange announcements available on the companies' web sites.

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, Kungsliden AB.

Riga Stock Exchange

The Riga Stock Exchange (RSE) has criticized a listed company for a breach of the RSE disclosure rules. The company had published price-sensitive information about an important business deal in mass media prior to disclosing it to the RSE.

The RSE has issued warnings to two listed companies for breaches of disclosure rules. The issuers had failed to disclose changes in Management Board and Supervisory Board and according to the RSE rules these events require immediate disclosure.

During the month the Riga Stock Exchange on one occasion assigned surveillance status to JSC "Baloži", and also issued a warning for a failure to disclose 9-month financial statements within the deadlines set by the RSE. The Surveillance status was removed after the company had submitted the financial statements.

The RSE has advised the Financial and Capital Market Commission on the above breaches of the rules.

Vilnius Stock Exchange

The Vilnius Stock Exchange (VSE) has issued one company criticism for having failed to submit a disclosure to VSE in timely manner. According to the rules a notification about material events must be submitted to Lithuanian Securities Commission (LSC) and VSE at least one hour before its submission to the mass media.

The VSE has issued criticism towards two exchange members.

The first issue concerned a case, where clients' orders and transactions were concentrated within a short time span in the trading session and resulted in short-lasting price changes. The second issue concerned a case, when CT (Manual Trade specifying its type as Contract transaction) Block Transaction was concluded for less than established minimum volume of the shares.

The Lithuanian Securities Commission was informed about this case.