

Surveillance and Enforcement

November 2006

Stockholm Stock Exchange

The SSE has issued criticism towards exchange members on two occasions, in connection with breaches of exchange rules. One of the matters concerned a situation where a member, by use of Automatic Order Routing, sent orders for execution that had such strong market impact that an order entry mistake was believed to be the reason. In the end this was also seen to be the case. The member's routines for handling of Automatic Order Routing, both with regards to the price controls applied and regarding its possibilities to handle abnormal order events, were considered insufficient to fulfill the requirements following the member rules.

The second matter concerned a member's trading activities regarding a stock in connection with the close of the market. The member had traded some volume in the stock prior to the close, but an order entry during the closing call auction for a substantial volume at an aggressive price had a significant effect on the closing price. The background of the member's trading activities was such that a conflict of interest between the member and other market participants could not be ruled out.

During the month, four cases of suspected market abuse have been handed over to the Swedish Financial Supervisory Authority. All of these cases have concerned suspected illegal insider trading in different types of situations.

Protect Data AB and AB Custos were placed on the observation segment since the companies are subject to public offers. Phonera AB, that had been traded on the observation segment because the company published plans for a significant change in the company's line of business, was transferred back to its ordinary position after a new listing review of the company was completed.

Helsinki Stock Exchange

One listed company received a reprimand from the secretary of the Disciplinary Committee, because information, which had a material effect on the value of the share, was not disclosed without undue delay. The information was published only several hours after the company became aware of the information. In this case however it should have been clear to the company that it had a duty to disclose the information. The reprimand was issued, because the listed company had preliminary decided not to disclose the information at all based on the agreement with the third party.

Another listed company was criticized for not having disclosed a stock exchange release regarding a business acquisition without undue delay. 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.

Three cases of possible abuse of insider information were reported to the Finnish Financial Supervision Authority.

Copenhagen Stock Exchange

Nothing to report

Riga Stock Exchange

In November the Riga Stock Exchange (RSE) issued warnings to two listed companies for breaches of the RSE disclosure rules. The companies had released price sensitive information to mass media prior to disclosing it to the RSE. The RSE rules stipulate that material and price sensitive information may be disclosed to mass media only subsequently to or simultaneously with disseminating it via the RSE information system. The RSE has advised Financial and Capital Market Commission on the above breaches of the rules.

Vilnius Stock Exchange

The Vilnius Stock Exchange (VSE) has in November issued a letter to a listed company where the VSE requested that the company verified or denied information in the press regarding a withdrawal of the company's listing from the VSE. Following this letter, the issuer published a release through the information system of the VSE stating that the press information was incorrect.

The VSE has issued criticisms towards exchange members on eleven occasions. One issue concerned a case of possible market manipulation, where a client of an exchange member was placing buy orders just before the closing call and affected the last price of the trading session. One issue of possible market manipulation concerned a case, where a client of an exchange member was placing orders and executed transactions which were likely to give misleading signals as to the price of financial instruments.

Another issue concerned a case, where the same buyer and seller client code was specified in the order. Seven issues concerned cases, where exchange members did not specify client references (ID's) in the orders. Lastly, one issue concerned a case, where an exchange member failed to ensure a sufficient amount of cash for settlement of transactions concluded on the VSE.

The Lithuanian Securities Commission was informed about the above mentioned cases.

First North

The Stockholm Stock Exchange (SSE) has in November issued a public warning to FlyMe Europe AB that is listed at 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 about that the deal was conditional upon an 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 was presented. With its actions the company has contravened First North's rules since it presented the business transaction in such a way that it seemed to be signed and sealed, despite this not being the case.