

**STOCKHOLM STOCK EXCHANGE  
DISCIPLINARY COMMITTEE**

RULING      January 9, 2007  
2007:1

Stockholmsbörsen AB  
Erik Penser Fondkommission AB

Erik Penser Fondkommission AB (EPF) is a member of the Stockholm Stock Exchange. Its membership is governed by the Norex Member Rules (NMR), the stock exchange's rules. On November 1, 2001, EPF signed an undertaking (Norex Membership Agreement) whereby it undertook to comply with the rules applying at each point in time as long as its membership prevailed.

As shown in the enclosed appendix, the Stockholm Stock Exchange requested that the Disciplinary Committee announce a ruling regarding disciplinary action concerning EPF.

EPF has admitted the facts presented against the company by the Stockholm Stock Exchange and agreed that it may be criticized in this respect but it has contested the claim that the company should be subject to any formal sanctions for this.

Neither of the parties requested an oral hearing.

The Swedish Financial Supervisory Authority has presented an opinion on the matter.

---

According to Item 4.5.1 of NMR, a member must place orders and issue instructions for trades in such a manner that sell and buy orders conducted on own account by the member do not intentionally result in an internal transaction in the trading system. An internal transaction is defined as an automatically matched transaction pertaining to buy and sell orders placed by the same member.

Item 4.6.2 of NMR stipulates that a member may not place orders or conduct transactions intended to improperly influence price formation in the trading system or that lack a commercial purpose. According to this regulation, it is prohibited, inter alia, to engage intentionally in

the automatic matching of, or to otherwise enter into, a transaction that results in the buyer and the seller of the instrument being the same natural or legal entity.

It is apparent from the inquiry that at least during the period January to mid-September 2006, EPF placed buy and sell orders in a large number of cases that resulted in transactions being automatically matched with each other. During this period, according to the Stockholm Stock Exchange's inquiry, EPF thus traded with itself in connection with transactions involving AstraZeneca shares on at least 1,442 occasions, including 301 between August and mid-September. The placing of such orders led to a new price paid being established in a total of 1,098 cases, including 271 cases between August and mid-September.

EPF has stated the following: A formerly employed broker at EPF had placed buy and sell orders that resulted in automatically matched trades involving Astra Zeneca, which entailed a breach of NMR. The actions taken by this broker extended over a certain time without them being discovered by either EPF or the Stockholm Stock Exchange. At the time of the broker's actions, adequate procedures for avoiding actions of this type were in place at EPF, which, however, proved to be insufficient. On a number of occasions, incorrect trades were discovered, which were brought to the attention of the broker, who then canceled the trades in accordance with the prevailing procedures, and EPF had no reason to assume that the broker had engaged in additional improper transactions. - EPF notes that the broker placed the orders quite openly in the trading system. Accordingly, the Stock Exchange had the same opportunities as EPF to access information about the trader's identity and his part in the transactions. Nevertheless, according to information received by EPF, the occurred actions were brought to light through an external party informing the Stockholm Stock Exchange's Surveillance Department of the broker's actions. In other words, the improper actions were not even discovered by the Exchange's Surveillance Department. Even if EPF is responsible regardless of culpability for the actions of its employees, any sanction due to the occurred should be reasonable based on an assessment of the overall situation. In such an assessment, attention must be paid to both the conditions under which the breaches of NMR occurred (namely that not even the Stockholm Stock Exchange discovered the improper actions despite having complete access to information about them) and the actions that EPF has taken as a result of what had occurred. EPF has since implemented a computerized system that results in EPF immediately discovering whether improper transactions of the type concerned are being conducted. To the best of EPF's knowledge, virtually no other Exchange member has controls that are as stringent as those now in place at EPF.

Regarding this matter, information has been received that the broker responsible for the transactions has been dismissed by EPF due to his actions. The broker has provided an exhaustive account, from which it is apparent that after both purchases and sales of Astra Zeneca shares it

became a type of routine for him to place smaller orders at the immediately following level within the prevailing spread, which resulted in a large number of occasions during which he traded with himself.

The Disciplinary Committee issues the following ruling. What has happened constitutes a serious breach of the Stockholm Stock Exchange's prevailing rules and regulations. The breaches occurred over a protracted period and pertained to a large number of transactions. When determining the matter, nothing has come to our attention that warrants criticism of EPF's management for inadequate procedures or for any other inadequacy. However, as the Committee established in its 1999:1 ruling, EPF has the strict responsibility of a member company – what is known as principal responsibility – for its employees' actions insofar as they result in breaches of regulations, which means that EPF cannot avoid disciplinary sanction.

The Disciplinary Committee fines Erik Penser Fondkommission AB three hundred thousand kronor (SEK 300,000).

On behalf of the Disciplinary Committee

Johan Munck

Supreme Court Justice Johan Munck, Supreme Court Justice Marianne Lundius, Professor Madeleine Leijonhufvud, Company Director Hans Mertzig and former Head of the Stockholm Stock Exchange's Surveillance Department Hans Edenhammar participated in the deliberations. Unanimous.