

**STOCKHOLM STOCK EXCHANGE
DISCIPLINARY COMMITTEE**

RULING April 11, 2007
2007:3

Stockholmsbörsen AB
Timber Hill Europe AG

Timber Hill Europe AG is a member of the Stockholm Stock Exchange. Its membership is governed by the Norex Member Rules (NMR), the stock exchange's rules. On May 4, 2002, Timber Hill signed an undertaking (Norex Membership Agreement) whereby it undertook to comply with the NMR 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 Timber Hill.

At Timber Hill's request, a hearing took place on March 19, 2007, at which the Stockholm Stock Exchange was represented by Department Manager Anders Acebo, Senior Legal Counsel Ulf Lindgren and Market Surveillance Manager Joakim Strid. Timber Hill attended by telephone via Jonathan Chait, Managing Director, and Yogi Aggarwal, Compliance Officer.

After the Disciplinary Committee provided the Swedish Financial Supervisory Authority with an opportunity to present its opinion, the Supervisory Authority stated that since Timber Hill does not offer any services in Sweden, the company is not subject to the supervision of the Supervisory Authority.

According to Item 4.11.3 of NMR, the Stockholm Stock Exchange's Disciplinary Committee shall decide on sanctions if a member breaches the rules and regulations contained in NMR, Swedish law or other provisions that govern the members' activities on the Exchange or that contravene generally acceptable practices in the securities market.

NMR Section 4.6.1 stipulates the following.

Orders placed in the Order Book, Automatically Matched Trades and Manual Trades must reflect the current market value of the Instrument in question and constitute genuine Orders and Trades.

"Current market value" for Trades means prices, which, upon a comprehensive assessment, reflect the current pricing of the Instrument in question. When assessing the current market value, consideration should be made to, among other things, the changes in the pricing of the

Instrument during the relevant Exchange Day, the changes in the pricing of the Instrument on previous Exchange Days, the volatility of the Instrument and the general changes in the pricing of comparable Instruments and, where relevant other particular conditions related to the Trade.

According to NMR 4.9.3 and 4.9.4, the Member has the same responsibility for orders routed to the Exchange via Automatic Order Routing as for orders placed by the Member in any other manner and the Member must establish appropriate technical and administrative arrangements in order to ensure that orders routed via Automatic Order Routing do not violate the Norex Member Rules.

The inquiry into the matter showed that on three occasions, namely on October 12, 2005 and July 31 and November 8, 2006, automatically brokered buy and sell orders placed via Timber Hill deviated from these regulations and that on November 6, 2006 Timber Hill also placed an order during the closing call that deviated from the said regulations. In the latter case, however, the order was canceled after Timber Hill had stated that the order had arisen accidentally. The documents in the case also show that Timber Hill, following remarks from the Exchange pursuant to the event on July 31, 2006, had explained that it had introduced a function in its trading application that would prevent recurrence of deviations of the said kind.

In its response to the case, Timber Hill has claimed that observing regulations can be difficult in matters involving shares subject to poor liquidity and that the company's trading system has currently been adapted to the Exchange's requirements and that there had been no complaints against its working after the event of November 8, 2006.

The Disciplinary Committee understands that it can occasionally be difficult to apply the regulations and that an occasional breach should not give rise to disciplinary repercussions. In the case in hand, however, the Committee finds that the Exchange had repeatedly pointed out the regulations and, in view of this, it does not find that the breaches can be regarded as being of a minor nature. Accordingly, Timber Hill cannot be spared disciplinary consequences.

The Disciplinary Committee fines Timber Hill Europe AG SEK 200,000.

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, Ragnar Boman (MBA) and Company Director Stefan Ernehlm participated in the deliberations. Unanimous.