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**NASDAQ STOCKHOLM'S**

**DECISION**

**31 August 2020**

**DISCIPLINARY COMMITTEE**

**2020:10**

Nasdaq Stockholm

Mavshack AB (publ)

## **DECISION**

The Disciplinary Committee orders Mavshack AB to pay a fine to Nasdaq Stockholm corresponding to four times the annual fee.

### **Motion**

The shares in Mavshack AB (publ) ("Mavshack" or the "Company") are admitted for trading on Nasdaq Stockholm AB's (the "Exchange") Nasdaq First North Growth Market trading platform. The Company has signed an undertaking to comply with the Exchange's Rule Book for Nasdaq First North Growth Market applicable from time to time ("Rule Book").

The Exchange has argued that Mavshack violated section 4.1 of the Rule Book by not having disclosed inside information in a manner which enabled a complete and correct assessment of the significance of the information for the Company, as well as by making public inside information without reference to the fact that the information in the press release contained inside information.

With reference to section 6.3 in Supplement B to the Rule Book, the Exchange has moved that the Disciplinary Committee evaluate the alleged violations of the Rule Book and impose a reasonable sanction.

Mavshack has stipulated to the facts in the case.

Neither of the parties has requested an oral hearing. The Disciplinary Committee has reviewed the documents in the matter.

## **Reasons for the decision**

### The Rule Book

Pursuant to section 4.1 of the Rule Book, an issuer shall disclose inside information in accordance with Article 17 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 (“MAR”).

Pursuant to Article 17 of the MAR, an issuer shall inform the public as soon as possible of inside information which directly concerns the issuer, as well as ensure that inside information is published in a manner which enables complete, correct and timely assessment of the information by the public.

The concept of inside information is defined in Article 7(1) of the MAR as information of a precise nature which has not been made public, relating, directly or indirectly, to one or more issuers or to one or more financial instruments and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments.

Pursuant to Article 7(2) of the MAR, information is deemed to be of a precise nature if it indicates a set of circumstances which exists or which may reasonably be expected to come into existence, or an event which has occurred or which may reasonably be expected to occur, where this information is specific enough to enable conclusions to be drawn as to the possible effect of that set of circumstances or event on the prices of the financial instruments [...].

Pursuant to Article 7(4) of the MAR, information which would be likely to have a significant effect on the prices of financial instruments is such information which a reasonable investor would be likely to use as part of the basis of his or her investment decisions.

The guidance text for section 4.1 of the Rule Book provides that inside information that the issuer discloses must reflect the issuer’s actual situation and may not be misleading or inaccurate. The information must be sufficiently detailed to allow for an evaluation of its effect on the price of the issuer’s financial instruments. The omission of information may also result in the disclosure of information by the issuer being inaccurate or misleading.

Pursuant to Article 2 of Commission Implementing Regulation (EU) No. 2016/1055 of 29 June 2016 (the “Implementing Regulation”), the issuer’s publication of inside information must clearly identify that the information communicated is inside information.

### Considerations

On 1 March 2019, Mavshack published a press release entitled “Mavshack enters into cooperation with the leading Philippine media company GMA” (“Press Release 1”). The press release contained information that Mavshack had entered into a partnership with the largest media conglomerate in the Philippines, GMA Network Inc. (“GMA”), in order to distribute Philippine content in the Middle East, North Africa, Asia, the Pacific region, Europe, and the Caribbean. The press release contained a reference to the fact that the information was of the type that the Company was obligated to make public pursuant to the MAR. Following the publication of Press Release 1, the Company's share price initially rose by approximately 61 per cent and, at the close of trading for the day, the price had increased by approximately 30 per cent. At 8:35 AM on 8 March 2019, the Company published an additional press release, “Update from the CEO” (“Press Release 2”), which contained more detailed information

regarding the agreement with GMA. Among other things, it was stated that the agreement afforded Mavshack very beneficial terms and conditions, that the revenues would be shared equally between the parties, and that GMA would bear all costs for the marketing of mavshack.com, which is the online platform where GMA's three live channels, as well as selected VOD, can be consumed. The agreement was further called a "dream contract" and a "game-changer". Press Release 2 lacked a reference to the fact that the information was of the type that the Company was obligated to make public pursuant to the MAR. The Company's share price increased by approximately 49 per cent compared with the closing price on the preceding day, and at the close of trading the price had gone up by approximately 33 per cent.

*The Exchange has argued:* The Company has stated that Press Release 1, containing the most important and biggest news in the Company's history, was drafted swiftly. The Exchange observes that Press Release 1 contained only a superficial description of the agreement executed with GMA, and did not contain any detailed information that enabled an assessment of possible immediate and potential future financial effects of the agreement. In respect of Press Release 2, the Exchange observes that it contained, among other things, new information that the revenues would be shared equally between the contracting parties and that GMA would bear all marketing costs as a consequence of the cooperation, but that the press release was not furnished with a reference to the fact that the information was the type of information which the Company was obligated to make public pursuant to the MAR. At the same time, Press Release 2 had a noticeable impact on the Company's share price. Taking into consideration the scant information that was presented in Press Release 1, the new information that was subsequently included in Press Release 2, and the impact on the share price that the later press release gave rise to, it is the Exchange's assessment that Press Release 1 did not enable a complete and correct assessment of the significance of the agreement for the Company. Accordingly the Company violated Article 17 of the MAR and section 4.1 of the Rule Book. In addition, Press Release 2 lacked a reference to the fact that the information in question was of the type that the Company was obligated to make public pursuant to the MAR, notwithstanding that the information clearly constituted inside information. Accordingly, the Company also violated Article 2 of the Implementing Regulation and section 4.1 of the Rule Book.

*The Company has argued:* With respect to Press Release 1, the Company's understanding is that it enabled fast access to the information and an opportunity to make a complete, correct and timely assessment of the information by the public. Mavshack agrees that in Press Release 1, the Company could have stated that the agreement entailed equal sharing of the revenues, but since the Company could not, and still cannot, predict the ultimate level of the revenues, this was not included in the first press release. The Company also did not know the value of the executed agreement. Therefore, it was also difficult to provide information regarding the agreement without creating unwarranted expectations. In respect of Press Release 2, Mavshack is of the opinion that the information in it was of minor significance in relation to Press Release 1. During the period between January 2015 and May 2020, Mavshack's share price had fluctuated by more than 30 per cent during a single day on 43 occasions, including the two occasions now at issue. The Company's share price is volatile and relatively large price movements are not uncommon. Where a company's share price is volatile it is not possible, based on such share price, to subsequently determine whether certain information constitutes inside information, without knowing the causal link between the information and the price performance. In light of this, Mavshack firmly maintains that only Press Release 1 contained inside information.

*The Disciplinary Committee observes* that Press Release 1 only superficially described the agreement in question and lacked such information regarding the agreement's potential future financial effects on which an investor would base a valuation of the significance of the agreement for the Company and its financial instruments. Mavshack has argued that detailed information of this nature was not disclosed in Press Release 1 since there was no such information at that point in time. At the same time, the Company disclosed in Press Release 2, among other things, detailed information regarding the breakdown of both revenues and costs under the executed agreement, as well as the potential customer group to which the agreement provided access. The Disciplinary Committee's assessment is that this information should have already been included in Press Release 1 in order to enable a complete and correct assessment of the significance of the agreement for the Company, and that by omitting this information from Press Release 1, the Company violated Article 17(1) of the MAR and section 4.1 of the Rule Book. The Disciplinary Committee's assessment is, moreover, that the information described above that the Company made public in Press Release 2 was not disclosed previously, was of a precise nature and, in light of the above, was also such information which would be likely to have a significant effect on the price of the Company's financial instruments, which is also indicated by the movements in the price of the Company's share in connection with the publication of Press Release 2. The Company thereby also violated section 2 of the Implementing Regulation and section 4.1 of the Rule Book by disclosing inside information without stating this in the press release.

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In summary, the Disciplinary Committee finds that Mavshack violated section 4.1 of the Rule Book on two occasions. The Disciplinary Committee regards the violations as serious and establishes the sanction as a fine corresponding to four times the annual fee.

On behalf of the Disciplinary Committee,

A handwritten signature in blue ink, appearing to read 'Marianne Lundius', is written on a light-colored background.

Marianne Lundius

Former Justice Marianne Lundius, MBA Ragnar Boman, *Advokat* Wilhelm Luning, company director Anders Oscarsson, and authorised accountant Magnus Svensson Henryson participated in the committee's decision.

Secretary: Erik Lidman, J.D.