

**STOCKHOLM STOCK EXCHANGE
DISCIPLINARY COMMITTEE**RULING April 11, 2007
2007:4Stockholmsbörsen AB
J P Morgan Securities Ltd
Mr. Ian Tindale

J P Morgan Securities Ltd (J P Morgan) is a member of the Stockholm Stock Exchange. Its membership is governed by the Norex Member Rules (NMR), the stock exchange's rules. On September 9, 2002, J P Morgan 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 J P Morgan and regarding Ian Tindale, a broker employed by this company.

J P Morgan and Ian Tindale have submitted their opinions on the matter.

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 trading so that buy and sell orders implemented by the member on his own behalf do not intentionally result in an internal transaction in the trading system. An internal transaction is defined as an automatically matched transaction involving buy and sell orders placed by the same member.

In Item 4.6.2 of NMR, it is also established that the member may not place an order or complete a transaction with the intention of affecting in an unauthorized manner price formation in the trading system or implementing a transaction that lacks a commercial purpose. According to this regulation, it is prohibited to engage intentionally in the automatic matching/completion of a transaction that results in the purchaser and seller of an instrument being the same individual or legal entity.

According to Item 4.11.3 of NMR, 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. A broker who breaches NMR may also be subject to disciplinary action from the Disciplinary Committee.

The inquiry into the matter showed that during the period October 12-27, 2006, J P Morgan, through broker Ian Tindale, intentionally and on its own account placed buy and sell orders involving Nordea Bank AB in the trading system in such a way that 20 cases resulted in

automatically matched transactions. Accordingly, J P Morgan traded with itself. Most of the individual transactions ranged from 25,000 shares to at most 200,000 shares.

J P Morgan has explained that the occurred transgression was the result of an action on the part of Ian Tindale that was in complete contravention of J P Morgan's internal instructions, that the action was naïve but that the intention was not to disturb the market. According to J P Morgan, the action should have been discovered by the company's automatic monitoring system, which, however, had proved to be incorrectly configured. In addition, J P Morgan has stated that as a result of his actions, Ian Tindale had been suspended for 25 days, had been cautioned and had been subject to a salary deduction. Ian Tindale confirms this and explains that he believed that his actions had been permissible but now realizes that they were fully unacceptable.

What has happened constitutes a serious breach of the Stockholm Stock Exchange's rules and regulations (compare with the Committee's 2007:1 ruling). As the Committee has stated in previous cases of this nature, member companies have a strict responsibility – what is known as principal responsibility – for its employees' actions insofar as they result in breaches of regulations. Even considering the fact that the breaches committed in this case were of a limited scope, the Committee finds that J P Morgan cannot avoid disciplinary sanction.

In view of the actions taking internally by J P Morgan in respect of Ian Tindale, a caution may suffice as a sanction against him.

The Disciplinary Committee fines J P Morgan SEK 200,000 and issues Ian Tindale with a warning.

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 Erneholm participated in the deliberations. Unanimous.