

OMX Nordic Exchange Stockholm AB

Kaupthing Bank Sverige AB

Kaupthing Bank Sverige AB is a member of OMX Nordic Exchange Stockholm AB (formerly Stockholmsbörsen AB). On September 28, 2001, the bank (under a former business name) signed an undertaking (Norex Membership Agreement, NMR) whereby the bank undertook to comply with the NMR rules applying at all times as long as its membership prevailed.

As shown in the enclosed appendix, the Exchange requested, by virtue of the NMR rules, that the Disciplinary Committee announce a ruling regarding disciplinary action concerning Kaupthing Bank Sverige.

Kaupthing Bank Sverige has essentially accepted that an error was committed within the framework of the bank's operations in the respects that form the basis of the Exchange's application.

The Disciplinary Committee has familiarized itself with the documentation in this case. None of the parties has requested oral negotiations.

The Swedish Financial Supervisory Authority has stated that it has no contribution to make to this case.

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Item 4.6.1 of NMR, first paragraph, 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.

In Item 4.6.2 of NMR, first paragraph, it is established that a 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, or whose intention is to delay or prevent the other members' access to the trading system.

Chapter 6, Section 1 of Finansinspektionen's (the Swedish Financial Supervisory Authority's) Regulations Governing Rules of Conduct on the Securities Market (FFFS 2002:7) prescribes that a securities company shall document all business engagements upon receipt thereof from the customers. The term "business engagements" refers to assignments from customers pertaining to orders for the purchase or sale of financial instruments. Chapter 11, Section 1 of these regulations stipulates that a contract note shall be prepared by the securities company in conjunction with a trade.

The Exchange has asserted that between January 8 and February 20, 2007 Kaupthing reported 15 trades pertaining to Nordic Mines AB to the Exchange's trading system despite the fact that no contract notes regarding these reported transactions were compiled. In addition, no other documentation pertaining to the claimed transactions existed. Accordingly, the reporting of these trades has clearly not been matched by any genuine orders or trades and lacks a commercial purpose. In the Exchange's opinion, this course of action has contravened the aforementioned NMR and FFFS regulations.

Furthermore, the Exchange has claimed that the transactions that Kaupthing reported during the aforementioned period regarding Nordic Mines also deviated in relation to other trading in shares by the prices often being at a comparatively high level. Since a large percentage of the reported transactions did not comprise genuine orders and since the prices deviated in relation to other trading, these trades have been misleading to other market players in several respects. Prices paid and turnover statistics were updated with trades that were not matched by genuine orders. In the Exchange's opinion, the shortcomings in the documentation of customer assignments have entailed that it cannot be determined whether the trades were also reported for the purpose of influencing the price formation in the trading system or for another inappropriate purpose. This course of action ceased when the Exchange contacted Kaupthing and questioned the company about the transactions.

Kaupthing Bank Sverige has referred to the fact that the neglected documentation can be assigned to a broker who contravened the bank's internal regulations both in this and in other respects, which resulted in the bank submitting a report to SwedSec for an assessment by SwedSec's Disciplinary Committee. According to the bank, the broker has admitted that he committed an error in respect of the documentation, but claimed that the reported transactions

were matched by genuine orders and has denied that his intention was to influence the price formation. The bank views this matter very seriously and has suspended the broker from his employment.

The Disciplinary Committee finds that the investigation shows that the prescribed documentation is lacking in respect of the transactions that form the basis for the Exchange's application for disciplinary action. Accordingly, Finansinspektionen's regulations have been disregarded. Disregarding these regulations is a serious matter, particularly with respect to the given circumstance that such behavior may arouse suspicions that the reported transactions were not matched by genuine orders and that reporting took place for an inappropriate purpose. However, it cannot be determined with a sufficient degree of certainty that the investigation shows that this was the case.

On the basis of a decision by SwedSec's Disciplinary Committee (2007:6), the broker responsible has now been issued with a warning. In accordance with both the explicit provisions of NMR (Item 4.4.2) and with the general principles regarding so-called principal responsibility (cf. the Disciplinary Committee's decision 1999:1 and 2007:1), the bank is responsible vis-à-vis the Exchange for the broker's violations. Based on what is stated above, this violation cannot be deemed minor. Therefore, in accordance with Item 4.11.3 of NMR, the bank shall be fined.

The Disciplinary Committee fines Kaupthing Bank Sverige AB two hundred thousand Swedish kronor (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 and Ragnar Boman (MBA) participated in the deliberations. Unanimous