

OMX Nordic Exchange Stockholm AB
D. Carnegie & Co AB
Carnegie Investment Bank AB

The shares of D. Carnegie & Co AB (Carnegie) are listed on the OMX Nordic Exchange Stockholm AB (the Exchange). Carnegie's subsidiary, Carnegie Investment Bank AB (the Bank) engages in trading and is a member of the Exchange.

In its capacity as a listed company, Carnegie has undertaken to disclose information about its operations in the manner stipulated in the signed listing agreement between the company and the Exchange. The Bank's trading on the Exchange is subject to regulatory procedures with which the Bank, in its capacity as an Exchange Member, has undertaken to comply. Accordingly, the Bank's derivatives trading is governed by the Exchange's Derivative Regulations.

Through the as an Appendix herein enclosed application, the Exchange has submitted a request that Carnegie and the Bank be subject independently to disciplinary sanctions for breaches of the listing agreement and Derivative Regulations, respectively.

Carnegie and the Bank have essentially testified to the actual circumstances on which the Exchange's application is based and have left it to the Disciplinary Committee to decide whether disciplinary sanctions shall be imposed.

On November 6, 2007, an oral hearing of the matter was held, at which the Exchange was represented by Senior Vice President, Surveillance, Anders Ackebo and Head of Trading Surveillance Joakim Strid and Carnegie and the Bank were represented by Deputy CEO Matti Kinnunen, risk analyst Anders Karlsson and the attorney Dick Lundquist.

When the Disciplinary Committee had provided the Swedish Financial Supervisory Authority with an opportunity to issue an opinion on the matter in terms of the Bank's involvement, the Authority referred to its judgment of September 27, 2007 (Reg. No. 07-6125) on the matter involving the Bank. Concerning the matter, the Bank, which has appealed the Authority's judgment, has referred to its petition to the County Administrative Court in Stockholm, in which the Bank has stated the grounds for its appeal.

General information on the inquiry into the matter and the Exchange's presentation of its case

The inquiry shows that during 2005-2007 the Bank implemented a number of trades in derivative instruments on own account with the purpose of either influencing the valuation of its own positions or concealing overvaluations by influencing the market prices in such a direction and to such an extent that internally set prices appeared more reasonable than would otherwise have been the case. According to information from Carnegie and the Bank, trading

earnings during these years were overvalued by a total of SEK 630 million. As a consequence of this, the information that Carnegie had previously published about its earnings, in the annual reports for the years 2005 and 2006 and in the interim report on the first quarter of 2007, was incorrect.

These are the conditions that form the basis for the Exchange's claim that Carnegie and the Bank contravened the listing agreement and the Derivative Regulations, respectively. With respect to the Derivative Regulations, the Exchange has referred to the regulation in Item 2.5.2, which states that a member may not consciously or negligently disseminate incorrect or misleading information or in any other way take misleading actions that could affect the price or the order situation in the market for instruments in a quoted series or instruments listed by an exchange with which the Exchange cooperates, the price or the order situation in the underlying market for instruments in a quoted series or the order situation in an underlying market for instruments in a quoted series or instruments listed by an exchange with which the Exchange cooperates.

With respect to Carnegie, the Exchange has added that the Exchange finds it remarkable that Carnegie did not disclose any details concerning the overvaluation of the trading portfolio until May 8, 2007 – and then only concerning the first quarter of 2007. In addition, the company's management, when commenting to the media on this occasion, had stated that Carnegie had made a very conservative valuation so that Carnegie "will not have to return to the matter any more." However, the Bank's trading in derivatives had first been questioned by the Exchange as early as December 2005. In response to a letter from the Exchange dated January 2, 2007 – which pertained to trading conducted around the end of 2006 – the Bank also appointed an internal inquiry. A further inquiry was set up in April 2007. Despite these ongoing investigative measures, the market was given the impression on May 8, 2007 that no further uncertainty prevailed. Complete information regarding the impairment losses for 2005 and 2006 was not issued until via the press release of May 24, 2007, when trading earnings were impaired by an additional SEK 260 million to SEK 630 million.

Case presented by Carnegie and the Bank

Carnegie and the Bank initially claimed that their own inquiries had shown that the incorrect valuation of the Bank's Swedish trading portfolio had been caused by three traders in the trading department, including the head of the department, having manipulated valuation parameters and market prices. The inquiries also showed that the manipulations were obviously in contravention of the rules and had been implemented using advanced methods in order to circumnavigate Carnegie's control system. Due to these shrewd methods, it had been difficult to detect the manipulations.

In addition, Carnegie and the Bank stated the following, in brief.

The Bank:

The three traders had manipulated market prices in an advanced manner, essentially in order to *conceal* their own incorrect valuations of the trading portfolio. Manipulations of the market in order to *influence* the value of the trading portfolio at the times in question occurred to a much lesser extent. This distinction is essential.

Concerning the matter as a whole, it should also be noted that the actions taken by the traders largely pertained to the Eurex Exchange in Frankfurt and only to a lesser extent to the Exchange.

The valuation of the trading portfolio was undertaken by the traders. An independent validation of the valuation prices set by the trading department was performed each month on the final day of trading by the Bank's financial control department. The financial control department normally compared *average prices*, meaning the average of buy and sell prices at the close of trading of each exchange, with the theoretical values that had been assigned by the traders.

The three traders had exploited the fact that the financial control department's validation of the trading portfolio had occurred at the end of the month and using closing prices that pertained during the final trading day of each month. By placing certain buy and sell orders during the final phase of trading on the final trading day of each month, the traders had intentionally manipulated average prices, which misled the control function during its validation of the valuation of the trading portfolio.

The Bank admits that certain of the actions taken on the Exchange by the traders, including the department manager, may have given rise to a breach of the Exchange's derivative regulations.

Activities suspected of entailing price manipulation were undertaken in respect of derivative contracts traded *in part* on the Exchange, and *in part* on the Eurex Exchange in Frankfurt. In this context, it must be emphasized that one of the reasons why the manipulations had been so difficult to detect was that a very small portion of the manipulations led to trades on the Exchange or Eurex. A *significant* proportion of the overvaluation pertains to options traded on Eurex, while a *minor* proportion of the overvaluation was attributable to options traded on the Exchange.

When determining the size of any fine, the Disciplinary Committee should take into account the very special circumstances prevailing in this matter and the fact that it involved advanced and difficult-to-detect manipulations. In addition, it must reasonably be taken into account that the actions were taken by the traders without the knowledge or consent of the Bank and were obviously undertaken in contravention of the Bank's internal rules and regulations.

In summary, the Bank admits that the three traders had taken actions on the Exchange that are adjudged as improper, which has resulted, *inter alia*, in the traders being reported to the police and to SwedSec. When Carnegie's own inquiries uncovered the manipulations, comprehensive actions were taken to prevent any similar recurrence. The special circumstances and actions taken should be taken into account when determining any fine.

Carnegie:

The internal inquiries conducted by Carnegie mainly during April and May 2007, in order to determine the reasons for and size of the valuation discrepancies in Carnegie's trading portfolio, were both complex and extensive. In addition to considerable internal resources, the inquiries required a number of both Swedish and international external experts. As the inquiries progressed, significant new facts were gradually uncovered. As a result, Carnegie – as the

factual basis so permitted – had cause to revise and modulate its conclusions concerning what had occurred.

In addition, Carnegie was required to consider, on the one hand, the market requirement for rapid disclosure of information as soon as it had become apparent that what had occurred would have an impact on earnings and, on the other hand, the requirement that the information rest on a basis of reasonable certainty. Carnegie's interpretation of previous standard practice by the Exchange is that it would not have been acceptable for Carnegie to refrain from informing the market due to the uncertainty that prevailed concerning the extent of the losses.

Carnegie's deliberations underlying its communication to the market should be viewed in the light of this gradual progression and the market's requirement for information. Carnegie has not on any occasion, in relation to either the market or the Exchange, communicated any information that at the time of disclosure did not correspond to the factual basis that was available to Carnegie. A prerequisite for concluding that disclosed information shall be considered a neglect of Carnegie's obligation to the Exchange is that the information can be regarded as unsatisfactory on the basis of the *conditions* that prevailed *when it was disclosed*. The information disclosed by Carnegie was correct, relevant and reliable on the basis of the information that was available to Carnegie itself at the relevant points in time. At the same time, Carnegie has endeavored to communicate the information expeditiously, just as the Exchange and the market require.

Carnegie's understanding is that the Exchange is of the opinion that a listed company shall have a more or less strict responsibility for factually incorrect information disclosed to the market, even if the company's Board of Directors, management and employees (excluding the employees who caused the errors) lack knowledge of the conditions, and regardless of how the errors arose. In Carnegie's opinion, such a strict responsibility would have exceptionally far-reaching consequences.

Having the complete facts in hand, it may well be possible, based on an overview of the situation, to simply mean that Carnegie should have uncovered the overvaluation earlier. However, Carnegie believes that there were factual reasons for why the overvaluation was not uncovered until during the first quarter of 2007. The factual situation is such that the information was disclosed as soon as Carnegie was informed about the overvaluation and its scope had been determined to such an extent that it could be communicated to the market. In its communication to the market, Carnegie had to balance the importance of the market being informed quickly against the requirement that the information must be disclosed on the basis of a reasonable degree of certainty. It is in the very nature of this kind of chain of events that the longer a question is investigated, the more certain the information becomes, but this means it becomes even longer before the market can be informed, which gives rise to the risk of leaks and of the market thus being withheld important information for a long time.

The revaluation of the trading portfolio entailed an unexpected large earnings adjustment. The listing agreement with the Exchange states the following, inter alia (see Appendix, Item 25) "... if an action occurs ... the company must immediately disclose information on the matter." In the Exchange's guidance concerning this item, it is stated, inter alia, that if "... the company becomes aware that the company's earnings trend during a quarter significantly deviates, upwards or downwards, from the impression of the company's situation created by previously disclosed information, the company may be obligated to disclose this."

As already stated, immediately after the information had been determined to such a degree that it could be communicated to the market, Carnegie disclosed the matter in order to ensure that all market players would simultaneously have access to the same information as Carnegie. In connection with this disclosure, Carnegie did not intentionally withhold information that would be material in the assessment of Carnegie. It cannot be the case that a listed company that is unaware of an event is to be considered to have contravened the listing agreement for such unintentional historical errors. The information disclosure obligation should not arise until an awareness of an occurred incident prevails, which is in the nature of things. If an obligation to disclose information about circumstances of which the company is unaware shall prevail, this should be stated clearly in the listing agreement.

If Carnegie is found guilty of breaching the listing agreement, any fine should be established in view of the factual, distinctive circumstances and the fact that a comprehensive action plan has been decided, which entails, inter alia, a sharpening of internal guidelines for reporting and handling correspondence from supervisory authorities, exchanges and other relevant authorities. Carnegie's Group Compliance Officer shall report such matters without undue delay to the Bank's Credit & Risk Committee, Carnegie's Audit Committee and the Boards of Directors of both Carnegie and the Bank and not only in conjunction with the compliance function's reporting to the Boards during scheduled Board meetings (for further details, see Section 2.7 of Carnegie's correspondence of August 31, 2007).

The Disciplinary Committee's judgment

As stated above, Carnegie and the Bank have claimed that the incorrect valuation of derivative instruments within the Bank's Swedish trading portfolio was caused by three traders in the trading department, including the then head of the department, having manipulated valuation parameters and market prices. Although Carnegie and the Bank have forwarded circumstances in support of their claim that are worthy of consideration, no definitive judgment on this can be made without further inquiry, including a hearing of the three traders, something that will probably be forthcoming in another arena and cannot be regarded as a task for the Committee. With regard to this matter, however, the Exchange has stated that it does not question the information forwarded by Carnegie and the Bank in this respect, and the Committee is of the opinion that its judgment should take these circumstances into account.

Based on these points of departure, the Disciplinary Committee issues the following judgment.

The Bank

As stated above, Item 2.5.2 of the Derivative Regulations stipulates that a member may not intentionally or negligently disseminate incorrect or misleading information or in any other way take misleading actions that could affect the current price or the order situation for such financial instruments that are in question. It should also be borne in mind that the member, in accordance with standard practice within the Disciplinary Committee and what is expressly stated in Item 2.2.9 of the Derivative Regulations, has so-called principal responsibility for the actions of its stock brokers.

The manipulations that, in accordance with the points of departure presented above by the Committee, may be assumed to have occurred can be referred to as misleading actions. The Disciplinary Committee accepts the Bank's statement that the manipulations primarily occurred with the intent of concealing previously incorrect valuations of the trading portfolio. Accordingly, although the intention was not, at least primarily, to influence price and the order situation in actual trading, there is no doubt that the actions may be feared to have had such consequences. In accordance with what has been presented, it has been established that the Bank contravened Item 2.5.2 of the Derivative Regulations. These breaches, which have been systematic and extended over a protracted period despite reminders from the Exchange, are of a very serious nature and must give rise to a considerable fine.

Carnegie

The claims made by the Exchange focus on the fact that the information that Carnegie had previously disclosed about its earnings in the annual reports for 2005 and 2006 and in the report on the first quarter of 2007 was incorrect. In addition, the Exchange has particularly complained about Carnegie not disclosing information about the overvaluation of the trading portfolio until May 8, 2007 and then only in terms of the first quarter of 2007 and that it was then stated that Carnegie had made a very conservative valuation.

A prerequisite for considering information disclosure to have been undertaken in contravention of the listing agreement is that the disclosed information can be characterized as unsatisfactory on the basis of the conditions that prevailed when it was disclosed. The Disciplinary Committee has no cause to doubt Carnegie's statement that the information that was disclosed reflected the assessment of the prevailing circumstances that the company actually made at the times in question.

A listed company's responsibility for ensuring that the information it discloses is correct, relevant and reliable also includes a responsibility for ensuring that the information has a sufficiently sound basis (compare with Disciplinary Committee's ruling No. 1996:1). Concerning this matter, the Disciplinary Committee has not been able to assign blame to Carnegie as a violation of the information disclosure that the Group's control system did not manage to uncover the valuation manipulations earlier than actually occurred. However, the Committee cannot avoid taking into account the observations made by the Exchange concerning trades that had influenced price formation both in connection with the final day of trading in November 2005 and in connection with the final day of trading in 2006. The inquiry also shows that, following additional reminders by the Exchange, a meeting was held on March 19, 2007 between the Exchange and representatives of the Bank's Compliance and Risk Control unit, which resulted in further inquiries within the Group.

In view of these observations, it is remarkable that no one within Carnegie succeeded in gaining clarity about the impact on earnings of these manipulations. The Disciplinary Committee considers that it should accept Carnegie's statement that the manipulations were highly sophisticated and difficult to investigate and that, initially, Carnegie could not have grasped that the Exchange's observations could have a bearing on its earnings. Under such circumstances, the Disciplinary finds that no blame should be assigned to Carnegie for breach of the information disclosure obligation due to the information contained in the annual reports for 2005 and 2006. However, following the observations made by the Exchange in a letter dated March 5, 2007 and the meeting between the Exchange and Carnegie that was held on March 19, 2007, Carnegie lacked sufficient reason to assume that the manipulations that had been uncovered

had not led to accounting errors. What Carnegie has stated concerning the fact that the results of the meeting did not come to the knowledge of Carnegie's management until much later is not a valid excuse. Accordingly, the Disciplinary Committee does not find it acceptable that Carnegie, in its interim report for the first quarter of 2007, published on April 24 2007, refrained from making any reservations for the result of the inquiries that had been initiated within the company about a month earlier and later proved that the manipulations had had a material impact on Carnegie's earnings and equity.

In respect of Carnegie's press release of May 8, 2007, the Committee notes that this release, by means of its design, was intended to provide the public and the market with the impression that the impact of the valuation manipulations on its earnings had been definitely determined. At this point in time, inquiries were still ongoing within Carnegie, and the company – particularly in view of the Exchange's previous observations pertaining to prior fiscal years – could not have considered that it had the basis for refraining from making reservations to the effect that further information could be forthcoming.

In view of what has been stated above, the Disciplinary Committee finds that the information contained in the interim report for the first quarter of 2007 and in the press release published on May 8, 2007 does not match the requirements, pursuant to the listing agreement, to which a listed company should be subject and, accordingly, constituted a breach of the agreement. This breach cannot be considered minor or excusable.

Consequences

For both Carnegie and the Bank, the consequences should take the form of a fine. The fines that the Disciplinary Committee can levy may not exceed 15 times the annual fee paid by the company to the Exchange. With respect to an Exchange member, the Derivative Regulations state that the Disciplinary Committee may levy a fine of at least SEK 100,000 and not more than SEK 10,000,000.

The Disciplinary Committee rules that

D. Carnegie & Co AB shall pay a fine corresponding four annual fees, and that

Carnegie Investment Bank AB shall pay a fine of SEK 5,000,000.