

Press release, November 3, 2008

# Disciplinary Committee at OMX Nordic Exchange Stockholm issues decision regarding HQ Bankaktiebolag

## *- The Committee criticizes the bank but takes no action*

HQ Bankaktiebolaget is a member of the OMX Nordic Exchange Stockholm. According to the exchange's membership rules, orders that are placed into the trading system must reflect the current market value of the instrument in question and constitute genuine orders and trades. "Current market value" for trades pertains to prices that upon a collective assessment reflect the applicable price of the instrument in question, the market value fluctuations in the price of the instrument during the current trading day and previous trading days, the volatility of the instrument, general changes in the price for comparable instruments etc. What is stated in rules also applies during what is referred to as "the call" prior to the opening of continuous trading operations. During the call procedure market players may not only place orders but can also cancel them.

On June 17, 2008, the Hennes & Mauritz share closed at SEK 320. Accordingly, the orders placed by HQB during the call of June 18, meant that HQB initially placed orders on own account during the call for at most 250,000 HM B shares, of which orders for 200,000 shares were limited to SEK 350 and 360. This was prices that significantly deviated from the price at which other players were willing to trade, and also deviated from the price at which HQB subsequently executed the purchase and sale of shares. As a direct result of HQB's order placing, the equilibrium price for most of the call remained at a clearly higher level than that at which trading would later be conducted. Thus, the market gained the impression that the opening price, to be set during the call, would be considerably higher than what was later the case. However, just before the opening share price was to be set, it transpired that HQB did not back its orders but instead cancelled them, leading the price level in the call to retreat.

In the opinion of the Exchange, it was never HQB's intention that the entire order volume placed in the trading system during the call should lead to trades. The exchange has also noted that the responsible broker at HQB, in 2004, was criticized for cancelling all its buy orders a few seconds before the call terminated. The broker has among other things stated that he did not intend to improperly influence the pricing of the share; instead, any shortcomings in his action must be sought in the inability, in the initial stages of the call, to make a correct assessment of the demand for the HM share.

The Disciplinary Committee cannot disregard that the explanation presented by the broker, and it attaches special consideration to the indisputable fact that Hennes & Mauritz presented a highly positive report on the morning of June 18. The Disciplinary Committee also notes that the average share price for the HM share during June 18 was 342.30 kronor, proving that there was reason for the broker to expect a sharp rise during the day compared with the preceding day. Of course, even on

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this basis the appropriateness of placing orders in the volumes in question during the call may be severely questioned. However, the fact that the broker obviously made an incorrect assessment does not lead to the conclusion that the orders were devoid of commercial purpose.

In brief, the Committee believes – despite certain embarrassing circumstances for HQB and the broker – that it has not been sufficiently demonstrated that the particular orders were designed to improperly influence price formation in the trading system or that they were devoid of commercial purpose. The Disciplinary Committee has decided to let the matter rest.

The following persons participated in the Committee's decision: Johan Munck, Marianne Lundius, Hans Mertzig, Carl-Johan Högbom, and Jack Junel.

**For further information:**

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**About the Disciplinary Committee** | The role of OMX Nordic Exchange in Stockholm's Disciplinary Committee is to consider suspicions regarding whether Exchange Members, brokers or listed companies have breached the rules and regulations applying on the Exchange. If the Exchange suspects that a member, broker or listed company has acted in breach of the Exchange's rules and regulations, the matter is reported to the Disciplinary Committee. The Exchange investigates the suspicions and pursues the matter and the Disciplinary Committee issues a ruling regarding possible sanctions. The sanctions possible for listed companies are a warning, a fine or delisting. The fines that may be imposed range from one to 15 annual fees. The sanctions possible for Exchange Members are a warning, a fine or debarment, while brokers may be warned or have their brokerage license rescinded. The Disciplinary Committee's Chairman and Deputy Chairman must be lawyers with experience of serving as judges. At least two of the other members of the Committee must have in-depth insight into the workings of the securities market.

Members: Supreme Court Justice Johan Munck (Chairman), Supreme Court Justice Marianne Lundius (Deputy Chairman), Madeleine Leijonhufvud (professor), Stefan Erneholm (company director) and Hans Mertzig (company director). Deputy Members: Hans Edenhammar (MBA), Claes Beyer (lawyer), Jack Junel (company director), Ragnar Boman (MBA) and Carl Johan Högbom (MBA).