

Year-end price manipulation, as per section 1.24, para. 1 b, e and k of the General Conditions

On 6 May 2005 the “Surveillance & Enforcement” unit in its function as disciplinary authority issued a warning to the lead trader at an SWX Swiss Exchange participant on the grounds of year-end price manipulation. Also in its ruling of 6 May 2005, Surveillance & Enforcement decided, in the absence of any proof of culpable behaviour, not to pursue disciplinary action against another trader who was involved in the matter.

On 23 and 30 December 2004, the SWX Swiss Exchange posted messages on the Newsboard stating that, depending on their type and nature, trades intended to manipulate year-end prices might be deemed to be in violation of the law or established regulations.

The SWX Swiss Exchange-registered lead trader at the bank in question accepted two customer buy orders from an internal asset manager on 28 December 2004. In essence, the wording of the order constituted a request to fix a high closing price for two securities. On the last trading day of 2004, the lead trader instructed one of the registered traders reporting to him to execute the customer buy orders for these securities on a limit basis shortly before the close of trading. The trader concerned entered these orders, as instructed, into the closing auction on the SWX Swiss Exchange system on 30 December 2004, so that they were executed that day.

The lead trader accepted the asset manager's orders without objection. He understood them to be orders that would influence the year-end price and had them executed accordingly: The lead trader would have been able to recognise from the placing of the order and its volume that the intention was to manipulate the year-end price. He therefore waited before fulfilling the orders and deliberately had them executed only shortly before the end of the closing auction by a trader who reported to him. In doing so, he minimised the ability of other participants in the market to respond to the increased demand. By deliberately waiting until shortly before the end of the closing auction to complete the order, the lead trader brought about a distortion in the prices of the two securities concerned. Having examined the facts of the matter at hand, Surveillance & Enforcement concluded that the actions of the lead trader constituted unfair trading practices, as laid down in section 1.24 para. 1e of the General Conditions (GC), and therefore adversely affected the integrity of the Exchange, as described in section 1.24 1k of the GC. On the basis of these facts, Surveillance & Enforcement has issued a warning to this trader.