

**Breach of section 1.24 paragraph 1 e (unfair trading practices) and 1 k (adversely affecting the integrity of the Exchange) of the General Conditions (according to CG-version of 24.01.05; CG-version of 11.11.05: new section 1.26 CG)**

**In its capacity as disciplinary authority, on 8 November 2005 the Surveillance & Enforcement unit of the SWX Swiss Exchange imposed a two-month suspension on a trader for multiple breaches of section 1.24 para. 1 e (unfair trading practices) and k (adversely affecting the integrity of the Exchange) of the General Conditions of the SWX Swiss Exchange. A further trader has received an official warning for one breach of the same SWX Swiss Exchange provisions.**

On 14 July 2005, an at-best sell order was placed in a particular security; the order book was empty on the bid side. Under these conditions, the two traders alternately entered several buy orders within 6 seconds at different prices in the SWX Swiss Exchange trading system, thereby generating trades in the security at non-market prices. Furthermore, the staggered entry of orders circumvented the market control warning function.

There was a similar incident on 28 July 2005. The initial situation was the same – an at-best sell order was entered when there were no orders on the bid side of the order book. This too was exploited by the entry of several staggered purchase orders within 24 seconds and produced trades in the security concerned at non-market prices. This instance involved one of the traders mentioned above.

Having reviewed the facts of the case, Surveillance & Enforcement has established that, with their actions, the two traders:

- a) engaged in unfair trading practices under the terms of section 1.24 para. 1 e of the General Conditions by knowingly exploiting at-best orders transmitted automatically by other market participants, thus producing trades below the prevailing market price;
- b) impaired the integrity of the Exchange under the terms of section 1.24 para. 1 k of the General Conditions, by circumventing or attempting to circumvent SWX Swiss Exchange market control mechanisms by entering a series of orders in quick succession.

One of the traders has been suspended from trading on the SWX Swiss Exchange for a period of two months on the grounds of multiple breaches of the provisions explained above. A warning has been issued to the other trader on the grounds of a single breach of the same provisions.