Year-end price manipulation, as per section 1.23 in conjunction with section 1.29 para. 1 lit. f and l of the General Conditions

On 3 November 2008 the Surveillance & Enforcement department of SIX Swiss Exchange in its function as sanction authority issued a suspension of the trader's registration for a period of three months to a trader of a SIX Swiss Exchange participant on the grounds of year-end price manipulation.

On 28 December 2007 - the last day of trading for that year - SIX Swiss Exchange posted a message on the Newsboard stating that, depending on their nature, trades intended to manipulate year-end prices might be deemed to be in violation of the law or established regulations.

On the afternoon of 28 December 2007, the participant's trader was called by a client and instructed to buy additional shares in a particular security. The client also stated that he would issue further orders for the closing auction. In subsequent telephone calls, the trader notified the client of the current holdings of the shares that had already been purchased on his behalf, and/or the status of the order book. In response to an enquiry by the client, he also informed him that a large number of shares would have to be purchased to achieve a price above a certain limit. In the course of the various telephone calls, the client asked about a particular [even higher] closing price. The trader replied that a much larger number of shares would have to be purchased. The client responded that the trader could buy a certain number of additional shares, and left it to the discretion of the trader to decide about that. Should the trader need to buy these shares, he might do so, if not, it would also be fine. The trader then told the client that someone else just paid up, and that this was no bad thing if others also participated in the market. It might be possible to achieve a closing price over the desired limit, he said. The trader then passed the order to another trader, who reported to him, for execution. The order was entered in the SIX Swiss Exchange trading system three seconds before the close of trading. The high demand for this relatively illiquid stock resulted in an elevated year-end closing price. After the close of trading, the trader notified his client by telephone of the share's closing price, as well as the number of shares that he had purchased for the client.

The trader had accepted the client's orders to manipulate the year-end closing price without questioning them. In doing so, he not only provided the client with comprehensive advice, but even actively supported the client's intention to drive the closing price for the year higher by handling the order himself to safeguard the client's interests. A large limit buy order was then entered in the exchange system three seconds before the end of the closing auction. This left other market participants virtually no time to respond to the increased demand. The trader's actions significantly impaired the price-setting mechanism and integrity of the market and unduly influenced the closing price for 2007.

Having investigated the events described above, Surveillance & Enforcement concluded that the trader had engaged in unfair trading practices pursuant to section 1.29 para. 1 lit. f of the General Conditions, which resulted in the integrity of the market being adversely affected in the sense of section 1.29 para. 1 lit. l of the General Conditions. Surveillance & Enforcement has issued a suspension of the trader's registration for a period of three months to the trader and ordered the participant to pay the cost of proceedings of CHF 5'000.