

## **Year-end price manipulation in terms of sections 1.23 and 1.29 para. 1 lit. f and l of the General Conditions**

**On 24 April 2008 the Surveillance & Enforcement department in its function as sanction authority issued a reprimand to a trader at an SWX Swiss Exchange participant on the grounds year-end price manipulation.**

On 28 December 2007, the last day of trading for that year, the SWX 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 morning of 28 December 2007, the trader was called by a client and informed that the client might wish to enter orders in the order book for the closing auction for a particular share. The trader then telephoned the client at 17.21 pm to inform the client about the current status of the order book. He worked out for the client how large a buy order for the stock in question would have to be to achieve a given closing price. In a further telephone call at 17.26 pm, the parties again discussed how many shares would have to be purchased to fix the closing price at their desired level. The client then instructed the trader to enter a buy order for the calculated number of shares in the order book 30 seconds before the end of the closing auction. The trader did so, and then immediately confirmed the theoretical closing price by telephone to his client. The client then issued the trader with a further buy order for the same stock, to be executed in the event that an order from another participant were to change the theoretical closing price before the end of trading. Entering the buy order just under 30 seconds before the end of the closing auction resulted in an elevated closing price for the year.

The trader had accepted the client's orders without questioning them. He had even provided the client with comprehensive advice about how many shares would have to be purchased to achieve a given price. He waited to enter the order in the stock exchange system and entered the buy order in the order book as instructed just under 30 seconds before the close of trading. This left other market participants with 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 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 l of the General Conditions. Surveillance & Enforcement has issued a reprimand to the trader and ordered the participant to pay the cost of proceedings of CHF 5,000.