

Violation of the SIX Swiss Exchange Rule Book by exercising a market-abusing influence on the year-end closing price 2016

The Surveillance & Enforcement unit of SIX Exchange Regulation has suspended trader X of a participant of SIX Swiss Exchange with its sanction notice from 4 December 2017 from trading with SIX Swiss Exchange for three months due to exercising market-abusing influence on the year-end closing price 2016.

In a telephone conversation at noon on the last trading day of 2016, 30 December 2016, trader X and CFO Y, acting for A Ltd, agreed to work towards achieving a target price involving the registered shares of A Ltd ("AA"). CFO Y told trader X in this conversation that he would like to bring the price down as much as possible. Trader X suggested, in order to avoid drawing attention to the planned transactions, not to trade everything in the closing auction because of "the authorities and the trading surveillance office of the exchange", but rather beginning from five o'clock, so that there would not be any disclosure problems or angles of attack. CFO Y agreed to this approach. In the subsequent phone conversation trader X notified CFO Y that he had already started posting ask prices in order to determine whether algorithms were involved. He also explicitly suggested that they would make the trade preserving own interests, but with the tendency to trade with volume from five o'clock in order to achieve the intended price. Trader X subsequently contacted Y again and provided information on the transactions that had been carried out in AA in the meantime, as well as the current trading in the same. Trader X and CFO Y talked on the telephone again at 5:30 p.m. In this conversation, X described the events and the close of trading in AA. Trader X stated that he needed to sell a certain number of AA at the end in order to bring the price down.

Trader X influenced in consultation with CFO Y of A Ltd through the targeted placement of orders and execution of transactions, and in particular before and during the closing auction on 30 December 2016, the pricing of the year-end price in AA as requested by his client A Ltd. The trades conducted by trader X on 30 December 2016 represented a large part of the daily trading volume. The exploitation of the dominant position in the market in AA resulted in a reduction in the share price on 30 December 2016. The intended price reduction or target price was referred to multiple times, both explicitly and implicitly, in the conversations between trader X and CFO Y. Causing AA's share price to fall was the explicit and sole purpose of the sales transactions executed by trader X in AA on 30 December 2016. No credible economic justification was provided for the transactions in AA. The chosen approach of trader X of not executing all of the sales in the closing auction, was – contrary to trader X's claim – not preserving the market, but in fact also abusive. The sole purpose of the sales transactions in AA that were spread over half a day was to make it more difficult for the Surveillance & Enforcement unit to discover the abusive conduct. Trader X therefore actively supported his client in manipulating the year-end pricing, and submitted orders to the stock exchange system in a manipulative way.

The Surveillance & Enforcement unit has decided with sanction notice from 4 December 2017 that trader X violated section 9.3 paras. 1 and 2 lit. a of the Rule Book of SIX Swiss Exchange in conjunction with art. 143 para. 1 lit. b FMIA and FINMA Circular 2013/8 margin nos. 26 and 27 by exercising a market-abusing influence on the year-end closing price of AA for 2016. Surveillance & Enforcement has issued a suspension of the trader's registration for a period of three months and ordered the party concerned to pay the cost of proceedings of CHF 10'000.