

## Press release

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# FINMA reprimands Basler Kantonalbank for violating market conduct rules and orders disgorgement of profits

**Between 2009 and 2012, Basler Kantonalbank inadmissibly propped up the market price of its own participation certificates. This constituted a serious violation of supervisory provisions on market conduct and an infringement of its organisational requirements and duty to assure proper business conduct. FINMA is imposing special conditions on Basler Kantonalbank and is ordering the disgorgement of illegally generated profits amounting to CHF 2.64 million. FINMA recognises the measures that in the meantime have been taken by the Basler Kantonalbank.**

FINMA discovered significant irregularities in the trading of Basler Kantonalbank's participation certificates (BSKP) in the course of a market investigation and initiated enforcement proceedings in May 2013. These proceedings, which have now been concluded, showed that Basler Kantonalbank (BKB) had intervened to manipulate the market price of its own participation certificates in the period between January 2009 and the end of September 2012. The bank's actions constituted a violation of FINMA Circular 2008/38 "Market conduct rules", which was revised in 2013.

### **Massive support buying to prop up own securities**

Basler Kantonalbank violated the provisions of supervisory law by systematically issuing market-distorting purchase orders for its own participation certificates. These gave the illusion of demand that did not actually exist and caused the price to increase (market manipulation). At the same time, the bank sold equity securities from its own holding of BSKP at a profit between spring 2009 and summer 2010. After the market price of BSKP came under heavy selling pressure, especially from autumn 2011 onwards, the bank counteracted a potential price fall by engaging in support buying and setting price limits. Other purchases against the market trend were made despite the introduction of internal proprietary trading regulations in November 2011. The support buying caused a massive renewed increase in Basler Kantonalbank's own holding of BSKP.

When Basler Kantonalbank stopped inadmissibly propping up the prices, the market price of BSKP fell immediately and remained volatile for a while. It has now come back into line with the supply and demand situation.

### **FINMA imposes special conditions and orders disgorgement of profits**

Basler Kantonalbank's actions in the handling of BSKP proprietary trading seriously violated its organisational requirements and duty to assure proper business conduct. FINMA is therefore imposing special conditions on the bank in its decision. It is also ordering disgorgement of the profits accrued in 2009 up to the summer of 2010, amounting to CHF 2.64 million, generated illegally through market manipulation. This amount will go to the Swiss government.

### **BKB was cooperative**

FINMA acknowledges that Basler Kantonalbank behaved cooperatively at all times during the enforcement proceedings and contributed to the rapid conclusion of the investigation. Under its new management, the bank also introduced wide-ranging measures on its own initiative while the proceedings were under way that, from the current perspective, appear to be targeted and appropriate for rectifying the organisational deficiencies that were identified. Furthermore, Basler Kantonalbank took measures with regard to its staff.

### **Contact**

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