

Press release

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FINMA orders Incore Bank to disgorge profits

The proprietary trading desk at Incore Bank AG had inadmissibly influenced the market prices of securities in the bank's favour. This constituted a violation of market conduct rules and an infringement of organisational requirements and duty to assure proper business conduct. The Swiss Financial Market Supervisory Authority FINMA is imposing special conditions on the bank and is ordering the disgorgement of illegally generated profits amounting to CHF 3.5 million. Incore Bank has already taken organisational measures and has ceased entirely trading in its own equity securities.

In September 2012, FINMA instituted enforcement proceedings against InCore Bank AG. This was triggered by a notification received from SIX Swiss Exchange Ltd indicating irregularities at the bank's proprietary trading desk. Proceedings conducted by FINMA revealed that InCore Bank nostro account traders had manipulated the prices of several shares and derivatives between January 2007 and June 2012 by entering a large number of fictitious orders. This allowed them to make a substantial amount of profit in the bank's favour.

FINMA reprimands, imposes special conditions and orders disgorgement of profits

FINMA has reprimanded the bank for constituting a serious violation of supervisory provisions in terms of organisational requirements and duty to assure proper business conduct. At the time in question, both of these requirements had been clearly set out in former FINMA Circular 2008/38 on Market conduct rules. In its decision, FINMA is therefore imposing special conditions on the bank and is ordering the disgorgement of profits amounting to CHF 3.5 million generated illegally between 2009 and 2012. This amount will go to the Swiss government.

Market manipulation

The bank's proprietary traders inadmissibly influenced the market price of several shares and derivatives by entering a large number of orders in the order book for certain shares. The orders, however, were never executed and were never intended to be executed. On the contrary, the traders used the price movements sparked by the orders lucratively to trade those shares and the derivatives linked to the shares in the bank's favour. The large number of purchase orders were subsequently

deleted (layering). Entering orders served merely to give the impression of market activity and distort the market prices of securities (market manipulation). The prices did not constitute genuine bid and ask behaviour.

Poor organisation and control

FINMA also identified serious deficiencies within InCore Bank's internal organisation with regard to proprietary trading. No clear trading strategies were in place. Moreover, controlling proprietary trading at risk management and compliance level was not handled adequately.

Trading in own equity securities discontinued

InCore Bank always cooperated during the proceedings. Once the proceedings had been instituted, the bank undertook a number of organisational measures and took appropriate action with regard to its staff. It has also ceased entirely trading in its own equity securities.

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