

## **EURONEXT NOTICE N9-01**

### **Specification of scales of liquidated damages pursuant to Rule 9301/1 (ii) (a) and (vi)**

**Subject: Specification of scales of fixed amounts of liquidated damages which may be imposed upon a member pursuant to Rule 9301/1 (ii) (a) and (vi) of the Euronext Rule Book Chapter 9**

**Department: Legal, Regulation, Compliance and European Affairs (“LRCEA”)**

**Issue Date: 10 August 2009**

**Effective Date: 17 August 2009**

**Revised: 10 August 2009**

This Notice, issued jointly by the Euronext Market Undertakings, specifies scales of financial penalties pursuant to Book I of the Euronext Rule Book, Rule 9301/1 (ii) (a) and (vi). It shall enter into force on xx xxxxx 2009 in respect of the markets operated by Euronext Amsterdam, Euronext Brussels, Euronext Lisbon and Euronext Paris.

Capitalised terms used in this Notice shall have the same meaning as set forth in Book I, Chapter 1 of the Euronext Rule Book.

## **Article 1      Scope**

In accordance with Rule 9301/1 (ii) (a), the tables shown below shall be used to determine the amount of the financial penalties payable.

In accordance with Rule 9301/1 (vi), this Notice will specify how Euronext will publish all or part of the decision taken under Rule 9301/1.

## **Article 2      Calculation**

2.1 Euronext has determined a fixed financial penalty (see Table 1) for each violation of a specific Rule (see Table 2<sup>1</sup>).

2.2 If the violation relates to an obligation laid down in an article in a Notice, but the article in question is not included in Table 2, the financial penalty will be the fixed financial penalty for the Rule to which the Notice relates. If the violation is not related to any of the Rules referred to in Table 2, the following shall apply:

- The fixed financial penalty imposed for scale 1 violations shall apply to violations of obligations referred to in Notices relating to Chapter 2.
- The fixed financial penalty imposed for scale 1 violations shall apply to violations of obligations referred to in Notices relating to Chapter 3.
- The fixed financial penalty imposed for scale 5 violations shall apply to violations of obligations referred to in Notices relating to Chapter 4.
- The fixed financial penalty imposed for scale 5 violations shall apply to violations of obligations referred to in Notices relating to Chapter 5.
- The fixed financial penalty imposed for scale 6 violations shall apply to violations of obligations referred to in Notices relating to Chapter 8.

## **Article 3      Multiple violation**

The penalty associated with a particular Rule or provision of the Trading Procedure or the Trading Manual ("Provision") will be imposed on the Member only once as the result of the examination of an Alleged Violation in accordance with the procedure referred to in Rule 9.2, notwithstanding that certain Rules/Provisions may contain a number of individual requirements and/or that a single investigation might identify multiple violations of the same Rule/Provision.

## **Article 4      Non-payment**

Members that fail to pay the stipulated financial penalty within the period stated in the letter referred to in Rule 9301/2 shall be required to pay interest at a rate of 5% per annum on the outstanding amount.

## **Article 5      Non-compliance**

If a Member fails to comply with the violated Rule after the end of the recovery period as stated in the letter referred to in Rule 9301/2, the amount of the financial penalty shall be increased by 100%, up to a maximum of EUR 250,000.

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<sup>1</sup> The descriptions of the rules in Table 2 are for convenience only and have no legal effect.

## **Article 6 Repeated violations**

If a Member is required to pay a financial penalty for the violation of a Rule and that Member has already been penalised for the violation of that Rule within the previous two years, the financial penalty payable for the most recent violation shall be increased by 100%, up to a maximum of EUR 250,000.

## **Article 7 Publication and disclosure**

According to Rule 9301/1 (vi), Euronext may, if a Rule has been violated publish all or part of the decision taken under Rule 9301. In any case, Euronext will make such decision available on a dedicated Extranet website reserved to both the Euronext Members and the Competent Authorities, with or without disclosing the identity of the Member involved.

When the decision is taken under Rule 9301/1 (ii) to (v) the identity of the concerned Member is systematically disclosed.

Such disclosure of the violation will take place after the Member has been duly informed of said decision, and as the case may be, after a certain delay during which the Member is required to fulfill its obligations under the rules, or is required rectification towards Euronext of the violation by the Member of an obligation under the Rules within a term specified.

The access to the Extranet website is limited to specific categories of persons designated by the Members under his sole responsibility. It is accessible by mean of usernames and passwords assigned to the persons appointed by the Members. The information disclosed on the Extranet website is of a confidential nature.

## **Article 8 Separate Agreements**

Violations of a Member's obligations under an agreement entered into by the Member pursuant to the Rules shall be dealt with in accordance with the provisions of such agreement.

**Table 1**

<b>Scale</b>	<b>Fixed financial penalty</b>
1	EUR 500
2	EUR 2,500
3	EUR 5,000
4	EUR 12,500
5	EUR 25,000
6	EUR 50,000

**Table 2**

<b>Rule</b>	<b>Scale</b>
<b>EURONEXT RULE BOOK, BOOK I</b>	
<b>Chapter 2 – Euronext Securities Membership</b>	
2102 (trading within capacity)	5
2202/1 (sufficient number of Responsible Persons)	1
2202/2 (Responsible Person adequately trained)	4
2202/3 (trading conducted by suitable, adequately trained individuals)	4

2401 (iv) (authorisation to carry out on- site investigations)	6
2401 (vi) (notify of any material changes)	3
2401 (vii) (prior notice of changes in legal form or organisation)	3
2401 (viii) (notify of insolvency)	4
2401 (ix) (contact detail of representatives)	1
2401 (x) (not misrepresenting the scope of capacity)	3
2401 (xi) (notify suspension/termination Clearing Agreement)	3
2401 (xii) (notify non-compliance with 2501/2)	3
2401 (xiii) (adequate internal procedures/controls)	5
2501/2 (adequate collateral)	5
2501/3 (notify Euronext in case of non-compliance 2501/2)	3
2502/1 (clearing agreement)	5
<b>Chapter 3 - Market Access Arrangements</b>	
3201/1 (adequate controls Automated Order Routing system)	5
3301/2 (a) (compliance with Rules and procedural or technical conditions)	5
3301/2 (b) (authorisation to carry out on-site investigations)	6
3301/2 (c) (agreements required by Euronext)	5
3301/2 (d) (contact details)	1
3301/3 (appropriate arrangements and ability to take measures)	5
<b>Chapter 4 - Trading Rules for Securities (NSC)</b>	
4203/1 (orders minimum indications)	3
4203/4 (certain events)	3
4402 (guaranteed cross/principal trades)	4
4502/3 (reporting off-order book transactions)	3
<b>Chapter 4bis - Trading Rules for Securities (UTP)</b>	
4202/1 (orders minimum indications)	3
4202/4 (certain events)	3
4402 (guaranteed cross/principal trades)	4
4502/3 (reporting off-order book transactions)	3
<b>Chapter 5 – Trading Rules for Derivatives</b>	
<b>See Liffe Trading Manual</b>	
<b>Chapter 8 - Rules of Conduct</b>	
8102/1 (general duties of fair dealing and care)	6
8102/2 (behave in a responsible manner)	5
8103/1 (cooperation with Euronext)	6
8103/2 (i) (provide full and prompt responses)	6
8103/2 (ii) (notify Euronext)	4
8104/1 (no fraudulent or misleading conduct)	6
8105 (use of Euronext Trading Platforms)	5
8106/1 (appropriate system of internal controls)	5
8106/2 (specific internal procedures)	3
8106/3 (pre- and post trade risk management controls)	5
8106/4 (demonstrate monitoring requirements)	5

8106/6 (suitable personnel)	5
8201 (offsetting or grouping of orders)	5
8301 (recording of orders details)	5
8302 (retention of information)	5
8303 (voice recording)	5
<b>N4-01 Euronext Cash Market Trading Manual (NSC)</b>	
2.11.3 (filtering orders)	5
4.5.3.1 (valuation transaction)	3
<b>N4-01bis Euronext Cash Market Trading Manual (UTP)</b>	
2.9.3 (filtering orders)	5
4.3.3.1 (valuation transaction)	3
<b>Liffe Trading Procedures PART ONE</b>	
<b>Section 1 – General</b>	
1.3.1 (a) (implement suitable security measures)	5
1.3.1 (b) (trading access adequately controlled)	5
1.3.1 (c) (Automated Price Injection Model)	3
<b>Section 3 – Trading on LIFFE CONNECT®</b>	
3.1.2 (Responsible Person)	5
3.3.5 (availability personnel)	5
3.4.3 (complying with Rules of Conduct)	6
3.4.5 (request for quote)	1
3.4.6 (circumvent request for quote)	4
3.4.8 (guaranteed cross)	4
3.9.3 (separate market delta neutral order)	3
<b>Section 4 – Common Trading facilities</b>	
<b>4.1 Stock Contingent Trades</b>	
4.1.4 (appropriateness of stock price used)	1
4.1.6 (separate market stock contingent trade order)	3
<b>4.2 Basis Trading</b>	
4.2.2 (permissions)	5
4.2.3 (trading hours)	4
4.2.4 (designated Exchange Contracts)	4
4.2.6 (construction of hedge ratios)	5
4.2.7 (recording of orders)	5
4.2.8 (retention of information)	5
4.2.9 (retention of information)	5
4.2.10 (retention of information)	5
4.2.11 (retention of information)	5
4.2.12 (retention of information)	5
4.2.13 (retention of information)	5
4.2.14 (retention of information)	5
4.2.14A (retention of information)	5
4.2.14C (retention of information)	5
4.2.15 (reporting requirements)	5
4.2.21 (provision of information)	5

<b>4.3 Asset Allocation</b>	
4.3.2 (permissions)	5
4.3.3 (trading hours)	4
4.3.4 (designated Exchange Contracts)	4
4.3.8 (retention of information)	5
4.3.9 (reporting requirements)	5
<b>4.4 Against Actuals</b>	
4.4.1 (scope of facility)	5
4.4.2 (designated Exchange Contracts)	4
4.4.3 (trading rights)	4
4.4.4 (trading hours)	4
4.4.5 (recording of orders)	5
4.4.7 (retention of information)	5
4.4.8 (reporting requirements)	5
4.4.14 (retention of information)	5
4.4.15 (provision of documentary evidence)	5
<b>4.5 Block Trades</b>	
4.5.4 (Market-maker Participation rights)	4
4.5.9 (aggregation of orders - futures)	5
4.5.10 (aggregation of orders – options)	5
4.5.11 (acting with due care & attention)	6
4.5.12 (Fair Value)	5
4.5.14 (Market-maker Participation)	4
4.5.17 (recording of order details)	5
4.5.19 (reporting requirements)	5
4.5.20 (delaying submission)	5
<b>Liffe Trading Procedures PART TWO (Euronext Brussels Derivatives Market)</b>	
B.4.3 (trading without LIFFE CONNECT)	4
B.4.4 (respect price fluctuation limits)	4
B.4.5 (confirmation within time)	4
B.5.1 (identify order origin)	3
<b>Liffe Trading Procedures PART TWO (Euronext Paris Derivatives Market)</b>	
P.4.1 (non automated trading procedure)	4
P.5.1 (identify order origin)	3
P.13.2 (price within high/low of Liffe Connect trading)	4

<b>Liffe Trading Procedures PART TWO (Euronext Lisbon Derivatives Market)</b>	
Li.2.1 (identify order origin)	3
Li.4.1 (offering improvements)	4
LI 5.1 (client order priority in electronic systems)	4
Li.5.2 (compatible system arrangements)	4
Li.5.3 (fifo for order ranking)	3
Li.5.4 (priority for client orders)	5
Li.5.5 (prohibitions for Members)	6
Li.5.6 b (ii) assignments of trades	3
Li.6.2 (personal account procedures)	5
Li.6.3 (personal transactions location)	5
Li.6.4 (equal treating of clients)	5
<b>Liffe Trading Procedures PART TWO (Euronext Amsterdam Derivatives Market)</b>	
A.7.5 (Prof Transactions for clients)	3
A.7.6 (Prof Transactions for professional investors)	3
A.7.7 (client agreement)	3
A.7.9 (minimal Prof Transaction volume)	1
A.7.14 (Prof Transaction relating to asset management)	4
A.7.15 (Prof Transaction reporting time)	1
A.8.1 (follow Observer instructions)	5
A.13.1 (all material details)	3
<b>LOCAL RULE BOOKS (BOOK II) EURONEXT AMSTERDAM</b>	
<b>General Rules for the Euronext Amsterdam Stock Market</b>	
A-2301 (list of lost and stolen securities)	3
A-2406/7 (traded-but-not-listed category)	3
A-2601/2 (notify Euronext Amsterdam)	3
A-2601/3 (requirements of agreements)	3
A-2601/4 (put agreement before Euronext on request)	4
A-2601/5 (benefit of LP-profit)	5
A-2601/6 (no compensation of losses)	5
A-2601/7 (agreement on fees)	3
A-2601/8 (no sharing of position risk)	5
A-2601/9 (research reports)	3
A-2601/10 (no pre-publishing of trades)	5
A-2601/11 (no information on buyers/sellers)	5
<b>Euronext Fund Service Trading Manual</b>	
2.1 (presence Fund Agent)	4
2.2 (confirmation/rejection orders)	3
3.3 (order identification)	3
4.3 (cancellation of confirmed orders)	3
5.1 (dissemination of execution price)	3

<b>EURONEXT BRUSSELS</b>	
<b>Specific Rules for Euronext Brussels</b>	
B-9203 (information memorandum and voice recording)	3
B-9603/2 (reporting of block transactions)	3
B-9701 (reporting off order book transactions)	3
<b>EURONEXT LISBON</b>	
<b>Specific Rules for Euronext Lisbon</b>	
Li 2.9.1 (notification of outside market transactions)	3
<b>EURONEXT PARIS</b>	
<b>Specific Rules for Euronext Paris</b>	
P 1.2.8 (margining of IPO orders)	6
P 1.2.16 (new listing trading procedures)	4
P 2.2.1 (present DSO order to market immediately)	4
P 2.2.4 (position information)	4
P 2.2.5 (initial margin DSO orders)	6
P 2.2.6 (Liquidation of non provisioned trades)	4
P 2.4.3 (Restrictions on DSO orders)	4
<b>PART II Rules applicable to MATIF and MONEP</b>	
P/M 2.1.2 (recording telephone conversations)	5
P/M 2.3.3 (covered trading)	6
<b>N4-02 Linked transactions and orders for DSO</b>	
Article 13 (recording roll-overs)	3