



STOCKHOLM GÖTEBORG BORÅS JÖNKÖPING HELSINGBORG

Title: An overview of the securities market

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Supervising and regulatory authority

In Sweden, all companies operating in the financial markets are authorized, supervised and monitored by the Financial Supervisory Authority (FSA). At present, the FSA supervises approximately 3,700 entities: banks and other credit institutions, securities companies, securities exchanges and clearing houses, fund management companies, insurance companies and insurance brokers.

Securities regulations

The most central rules for the Swedish securities market are set forth in the Financial Markets Act (FMA) and the Financial Instruments Trading Act (FITA).

The FMA sets forth regulations for companies operating in the securities business. It also stipulates the requirements for a licence to conduct such business and fundamental rules for the organization of the business, including capital requirements and portfolio risk diversification rules.

Furthermore, the FMA applies to any undertaking aiming to regularly trade financial instruments. Such undertakings may be authorized as securities exchanges or



marketplaces by the FSA. Clearing operations may only be conducted on a commercial basis by the Central Bank of Sweden and by undertakings that have been licensed to do so by the FMA.

The FITA sets forth regulations on trading in financial instruments, disclosure of shareholdings, and the pledging of collateral. It also sets forth the rules for drawing up prospectuses regarding offers to the public to purchase financial instruments or when financial instruments are to be admitted to trading on a regulated market.

In addition to these statutory rules, the FSA issues regulations and general guidelines. Further guidance on good practice in the Swedish securities market can be found in recommendations issued by the Swedish Securities Council, the Swedish Industry and Commerce Stock Exchange Committee, and the Stockholm Stock Exchange.

Legislation for foreign subjects

In general, the Swedish securities market regulations apply equally for Swedish and foreign subjects. According to the FMA, a securities business in Sweden requires a licence from the FSA. However, licences from regulatory bodies in other EU countries are acknowledged, and in those cases a securities business may be commenced in Sweden after a notification to the FSA.

The rules set forth in the FITA and in other legislation are applicable for foreign subjects investing in financial instruments that are publicly traded in Sweden. Accordingly, reporting duties, takeover rules, and requirements to draw up a prospectus in cases of public offerings must be observed also by foreign investors. Compliance with the FITA is supervised by the FSA, which may order corrective action in cases of non-compliance.



Mandatory securities licence

Any company planning to operate and offer services on the securities market must file a licence application with the FSA. The same applies when an institution holding a licence wants to change the direction of its business. The change may be due to product development, restructuring or a change in the nature of the business. An application must contain information on the organizational structure of the company; its ownership, management and board of directors; its budget; and its control routines and security measures.

The takeover regulations

The takeover regulations consist of a combination of legislation and self-regulation, fulfilling the requirements of the EU Takeover Directive. The regulation mainly consists of the Takeover Act, which came into force on July 1 2006, and a statutory obligation in the FMA for a stock exchange or authorized marketplace to adopt takeover rules which comply with the Takeover Directive.

The Takeover Act is applicable to shares issued by Swedish and, with some exceptions, foreign companies listed on a stock exchange or an authorized marketplace in Sweden. The Act stipulates that only a company that has undertaken to comply with the rules adopted by the stock exchange or the marketplace on which the target company's shares are listed can make a public offer. A contractual obligation is created between the stock exchange or market and the offeror, even if the offeror's shares are not listed in Sweden. The target company is bound by the same rules through its listing agreement.

The Act sets forth certain duties for the offeror, who is obliged to make a mandatory offer for all the shares of a company when he, either by himself or with related



parties, attains a 30% voting share in a company, either through an acquisition or the establishment of a group relationship.

Furthermore the Act restricts defensive action taken by the target company and sets out provisions regarding a so-called breakthrough. That is, certain provisions of the Articles of Association and certain contractual agreements regarding the shares of the target company are not applicable in relation to a takeover bid. A takeover bid is defined in the Act as a public offer made to the holders of shares issued by a Swedish or a foreign company to acquire all or some of those shares.

The FSA is to supervise compliance with the Takeover Act. It may also impose fines up to SKr100 million (€10.9 million) in cases of non-compliance.

Rules on disclosure of sales and purchase of shares

A new legislation on the disclosure of sales and purchase of shares came into force in Sweden on July 1 2007. Based on the EU Transparency Directive, it replaces Chapter 4 of the Financial Instruments Trading Act as well as the autonomous regulatory structure set in place by the Swedish Industry and Commerce Stock Exchange Committee.

The new legislation sets forth that sales and purchases of shares exceeding 5% of the share capital or votes in a company noted on an authorized Swedish marketplace must be reported to the company itself and the FSA, no later than the day after the transaction.



Rules for prospectuses

The rules governing prospectuses are also set forth in the FITA. These rules stipulate that a prospectus must be drawn up whenever a financial instrument is to be offered to the public or is admitted to trading on a regulated market.

In respect of offers to the public to purchase shares, convertibles and subscription rights, the responsibility to draw up a prospectus falls to the limited company that issued the instruments. In cases of other offers to the public, such as options, futures and other derivatives, it is the offeror who must draw up the prospectus. All prospectuses must be in Swedish when the offer is made to the public in Sweden, or when the financial instrument is to be admitted to trading in Sweden.

There are a large number of exceptions to this obligation, such as financial instruments that are not meant for public trading and credits with shorter terms than one year.