
FINAL NOTICE

To: David John Maslen
Of: c/o Ashurst
Broadwalk House
5 Appold Street
London EC2A 2HA
Date: 10 April 2006

TAKE NOTICE: The Financial Services Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS ("the FSA") gives you final notice about a requirement to pay a financial penalty:

ACTION

1. On 6 April 2006, the FSA gave David John Maslen ("Mr Maslen") a Decision Notice which notified him that pursuant to section 66 of the Financial Services and Markets Act 2000 ("the Act"), the FSA had decided to impose a financial penalty of £350,000 on him. In setting this penalty the FSA has taken into account all relevant circumstances and, in particular, that disciplinary action was taken against Mr Maslen by Deutsche Bank AG ("Deutsche")¹ which resulted in a reduction of his 2004 bonus by €1.83 million and in his role and responsibilities as Head of European Cash Trading.

¹ Deutsche is a limited liability company incorporated in Germany and passported into the UK under the Investment Services Directive. Its prudential regulator is the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). The FSA's decision in this instance relates to the conduct of Deutsche's London branch (an EEA Authorised firm).

2. On 10 April 2006, the FSA gave Deutsche a Final Notice, which notified it that the FSA had decided to impose a financial penalty of £6,363,643 on Deutsche for acting in contravention of, amongst other matters, Principle 5 of the FSA's Principles for Businesses ("the Principles"). The FSA imposed the financial penalty on Mr Maslen, for being knowingly concerned in the contravention by Deutsche of Principle 5 of the Principles.

REASONS FOR THE ACTION

3. The FSA's action relates to Mr Maslen's conduct whilst being both an approved person and the then Head of European Cash Trading at Deutsche. The conduct relates to the offer and sale by Deutsche of 63.7 million B ordinary shares in Scania AB ("Scania B shares"), a Swedish truck manufacturer, on 4 March 2004 ("the Scania transaction"). Deutsche agreed to purchase the Scania B shares from AB Volvo ("Volvo") and to dispose of them by way of an accelerated book build ("the book build"). An accelerated book build is where an investment bank acquires a block of securities, intending to sell it on to clients by compiling a "book" of orders from these clients and then managing the distribution of the shares. In compiling a book, an investment bank will often give an indication of the likely allocation price of the book. This is known as the marketing range.
4. Scania B shares are listed on Sweden's Stockholmsbörsen ("Stockholmsbörsen"). This was not a prescribed market for the purposes of the FSA's Code of Market Conduct (MAR 1.1.3 (1) G) in force at the time of the Scania transaction. The provisions of MAR did not, therefore, apply to the Scania transaction.
5. Deutsche acted in contravention of Principle 5 of the Principles by failing to observe proper standards of market conduct, in that:
 - i a trader in its equities trading division ("the Deutsche trader") conducted proprietary trading in high volumes (relative to other market participants) of Scania B shares in the secondary market for a period during a sensitive time of the book build and in a manner that was not transparent as it was conducted through two external Swedish brokers. Therefore it was not apparent to the market that Deutsche was trading in Scania B shares while the book build was progressing. The trading was conducted at the request of Mr Maslen;
 - ii the size and manner of the trading had the potential to affect the price of Scania B shares in the market. It did, in fact, have a material effect on the market price of the shares for a period while the book build was in progress in that it contributed to the share price moving up by approximately 0.85% to within the marketing range and remaining within the marketing range for most of that period; and
 - iii. through Deutsche's failure to consider the manner of the trading and then to monitor the trading adequately, potential investors did not obtain a full understanding of the nature of supply and demand for Scania B shares independent of Deutsche and the fact that it was Deutsche's activity that was affecting the share price during its period of trading. The price at which Scania

B shares traded on the secondary market and the demand for Scania B shares, independent of Deutsche, could have been relevant for the decisions of potential investors whether to enter or to remain in the book build.

Mr Maslen's involvement in Deutsche's contravention

6. The FSA concludes that Mr Maslen was knowingly concerned in the breach of Principle 5 of the Principles by Deutsche in that:
 - 6.1 he knew that Deutsche was running a book build in Scania B shares and that the period of the book build was a sensitive time in relation to any trading by Deutsche in such shares;
 - 6.2 he knew that the market price and the demand for Scania B shares could be relevant to the decisions of potential investors whether to enter or remain in the book build;
 - 6.3 he knew that if high volumes of Scania B shares were purchased by Deutsche this could have the potential to affect the share price and investors' understanding of the nature of the supply and demand for Scania B shares in the market;
 - 6.4 he instructed the Deutsche trader, who reported to him, to conduct proprietary trading in Scania B shares in the secondary market during the book build and he failed to monitor carefully the nature and extent of that trading; and
 - 6.5 he was at the time of the Scania transaction, the Head of European Cash trading at Deutsche. He had extensive experience in equities trading and book building. He had knowledge of the proper standards of market conduct that should be observed.
7. The FSA considers that Mr Maslen's misconduct is made more serious by the fact that:
 - 7.1 he was actively involved in the book build process which was being managed by the Equity Capital Markets ("ECM") Syndicate team. This included having some involvement in setting the marketing range and the ultimate pricing and allocation of the book. Despite his role in the Scania transaction and the potential effect of such trading he did not consult Deutsche's compliance department ("Compliance") in London nor Deutsche senior management in advance of the trading;
 - 7.2 he failed to check the restricted list prior to the commencement of or during the proprietary trading in Scania B shares. Despite his knowledge of the book build neither he nor the Deutsche trader were aware that Scania B shares were on the restricted list and therefore the trading was in breach of the restricted list; and
 - 7.3 given his role, the FSA believes that Mr Maslen should have exercised greater caution, care and diligence in matters associated with the Scania transaction.

8. As a result of the proprietary trading conducted on Mr Maslen's instructions, on behalf of Deutsche:
 - 8.1 there was a material effect on the market price of the Scania B shares for a period while the book build was in progress in that it contributed to the price of the shares moving up by approximately 0.85% to within the marketing range and remaining within the marketing range until it slipped down to below the marketing range; and
 - 8.2 during that period of trading, investors and potential investors did not obtain a full understanding of the nature of the demand for Scania B shares independent of Deutsche and the fact that it was Deutsche's activity that was affecting the share price during the period of trading. This could have been relevant to the decisions of potential investors as to whether to enter or remain in the book build.

FINDING OF FACTS

The Scania transaction

9. Background to book building

- 9.1 A "block trade" is a transaction involving the sale or purchase of a large quantity of shares and may involve the disposal of a significant shareholding by a shareholder.
- 9.2 When a sale has been underwritten by an investment bank on behalf of a shareholder it is typically described as a "placing". The investment bank may agree to fully underwrite the transaction and guarantee the price at which it will buy the shares from the original holder. It may acquire the block of shares intending to distribute it to clients. One method of achieving this is by compiling a book of indications of interest from the clients. This is known as "book building".
- 9.3 When a deal is classified as a "bought" deal, it generally refers to an offering in which the investment bank buys all of the shares in a particular company and sells them to investors. Once the investment bank owns the shares they are considered as being "on risk", which means that if the investment bank is unable to generate sufficient buy orders for the shares to the value of the purchase amount of the shares, it would be left with an exposure to the shares and possibly make a loss on the deal. The investment bank may then seek to place the shares as quickly as possible to its clients. This is frequently termed an "accelerated book build".
- 9.4 Information about the deal and the marketing range is communicated by the investment bank to the market. The marketing range is fixed initially by the price at which the investment bank thinks it can sell the deal.

- 9.5 The sales desk at the investment bank will contact potential investors, typically institutions, to obtain indications of interest. These indications of interest will reflect the size and level of the investors' demand and their price sensitivity, if any. Price sensitivity arises because investors may express varying levels of demand at different prices, which means that the level of demand in the book can be "price sensitive". While the book is open, investors will not have certainty in respect of the eventual price at which the stock will be allocated, however, the marketing range would offer an indication of this. The indications of interest from potential investors can be amended during the course of a book build and there may be communications between potential investors and the investment bank's sales desk and internally within the investment bank regarding the level of demand. Potential investors may exaggerate their demand in a potentially successful deal on the expectation that, given a high level of demand for the shares generally, their individual indications of interest will be scaled back.
- 9.6 The indications of interest are collated by the syndicate desk of the investment bank who are responsible for creating or "building" a book. The book shows the investment bank the overall level of demand for the shares, the nature of the investors and any potential price sensitivity in the demand.

The secondary market

- 9.7 The secondary market is the market where share transactions take place after the initial distribution. Many book builds, such as the Scania transaction, occur whilst there is an open secondary market in the same shares. During a book build investors may change their decisions regarding their participation in the book build. The current price at which shares are trading in the secondary market and the level of supply and demand for those shares are considerations that may potentially be taken into account by investors when considering subscribing for the shares via a book build. Other considerations for investors may include the liquidity of the stock and their views on the long term performance of the shares.
- 9.8 If an investment bank responsible for a book build is active in the secondary market in significant volumes at the time the book build is progressing, market participants can reasonably expect that its activity is undertaken in a transparent way. Such transparency will enable any investors who are concerned by the current share price and the identity of any significant purchasers to make suitably informed decisions regarding any potential participation in the book build.

Coverage

- 9.9 An investment bank may refer to the level of "cover" which is the extent to which the level of demand in the book is meeting the amount of shares available.

10. Background to approval of the Scania transaction

- 10.1 During the period leading up to 4 March 2004, Deutsche discussed terms with Volvo under which it might assist Volvo in disposing of its Scania B holding of 63.7 million Scania B ordinary shares. Scania B shares are listed on the Stockholmbörsen. Prior to the Scania transaction, the shares were extremely illiquid.
- 10.2 On the morning of 4 March 2004, Deutsche concluded an agreement with Volvo to purchase its Scania B shares for approximately SEK 14.9 billion or £1.1 billion. The Scania transaction was an important deal for Deutsche. As it was a "bought deal", if Deutsche was unable to sell any Scania B shares it would be left with an exposure to them on its books. It was recognised by Deutsche that in order to "break even" on the Scania transaction, an allocation price of SEK 234 would need to be obtained. At the time of the Scania transaction, Deutsche was close to its internal value at risk ("VAR") limits (a measure of the market risk to which Deutsche was exposed). The VAR limit is self imposed by Deutsche and is a strategic measurement of its appetite for market risk considering such factors as perceived economic prospects.
- 10.3 The average daily volume of Scania B shares traded from the beginning of 2004 up to 3 March 2004 was 308,225 shares. On 3 March 2004 (the day prior to the book build) Scania B shares closed at a mid price of SEK 239, with a volume for the day of 204,165 shares. At a Deutsche Equity Commitment Committee ("ECC") meeting on 2 March 2004, at which Mr Maslen was present, the view was expressed that trading in as little as 50,000 Scania B shares could move the price of the shares. However, it was anticipated at the ECC meeting that once the Scania transaction was announced liquidity levels would increase significantly as Volvo were disposing of approximately 29% of the share capital of Scania.

11. Mr Maslen's position at Deutsche in London and his role in the Scania transaction

- 11.1 At the time of the Scania transaction, Mr Maslen was Deutsche's Head of European Cash Trading in London. Mr Maslen was responsible for monitoring any risk that Deutsche took in such trades, and was also responsible for managing any residual or proprietary risk which was incurred in terms of both Deutsche and his book. He worked at Managing Director level within Deutsche in London, and 86 people throughout Europe reported to him. At the time, he had more than 16 years' experience in cash equity trading (which relates to sales and trading of equities). Mr Maslen is an FSA approved person, holding the controlled function of investment adviser.
- 11.2 Prior to the book build, Mr Maslen had been involved in several book building exercises at Deutsche. He was responsible for monitoring and managing any market risk that Deutsche took in such trades.

- 11.3 The book build was managed by the Equity Capital Markets ("ECM") Syndicate team, which was part of Deutsche's Global Corporate Finance Division and provides equity and equity linked products and services, including syndication. Mr Maslen was not a part of ECM but in view of his significant involvement in the Scania transaction as set out above, he interacted with ECM throughout the day on 4 March 2004 in respect of the Scania transaction.
- 11.4 Mr Maslen was significantly involved in the Scania transaction but he also had responsibilities with regard to equity trading (a separate team within Deutsche in London). He therefore was above the Chinese Wall² between ECM and equities trading, which is known as being "supra wall". In this capacity, he was a party to non-public information in relation to order flow information, he participated in discussions with senior management prior to the Scania transaction regarding its merits and was involved in setting the marketing range for the book build. He was also aware of the progress of the Scania transaction (including the size of orders in the book and who placed the orders). After the book closed, he was significantly involved in the allocation and pricing of the Scania transaction. One of the reasons for Mr Maslen's involvement was that his group within the equities division was to be responsible for managing any position (or back book) in Scania B shares which Deutsche could not distribute to clients.

12. Summary of events of 4 March 2004

- 12.1 At 10:35am³ on 4 March 2004, Deutsche announced by means of Deutsche's internal electronic messaging system ("DB Chat") that it was the sole book runner of the book build of Volvo's entire shareholding of 63.7 million B ordinary shares in Scania, at a price between SEK 234 and 236.5 ("the marketing range").
- 12.2 Deutsche's Equity Sales team then contacted potential investors to seek indications of interest. Any indications of interest received, including the size and any investor price limits, were entered into an electronic order book system called "book builder", which was controlled by ECM.
- 12.3 Initially, the book build progressed well and strong demand was obtained. By 11:40am indications of interest for 31 million shares at SEK 234 had been received. Between 10:40am and 11:40am, Scania B shares traded in the secondary market at prices between SEK 237 and SEK 234.

² Chinese Wall procedures are designed to control the flow of information between distinct sections of a firm's business, in order to prevent possible and/or apparent conflicts of interest.

³ All times referred to in this document are UK times.

- 12.4 Between 11:40am and 11:55am, the market price of Scania B shares dropped to SEK 231.50 before moving back to SEK 233. During this period Mr Maslen instructed the Deutsche trader to commence purchasing Scania B shares in the market. This is discussed in more detail at paragraph 13.1 .
- 12.5 At 12:30pm an announcement was made on DB Chat to the effect that the book was 80% covered.
- 12.6 Between 1pm and 2pm it was clear that interest in the book build had slowed. At this time Mr Maslen proposed to those working on the Scania transaction ("the Scania deal team") that an order for 6.4 million shares, representing 10% of the book build be made. This was discussed with members of Deutsche's Legal and Compliance departments. It was confirmed that an order could be made and included within any coverage announcement if the position was to be held on a medium to long term basis. At approximately 2pm the order was made.
- 12.7 At 2:10pm Deutsche announced on DB Chat that the book in Scania B shares was covered and would close at 2:30pm.
- 12.8 After 2:14pm the Scania B share price fell below the marketing range. Deutsche's purchasing volumes fell significantly after this time and Scania B shares were purchased below the marketing range. The last instruction given by the Deutsche trader to the brokers to purchase Scania B shares was at 2:34pm and these trades were executed at 3:03pm.
- 12.9 Following 2:30pm as the secondary market price of Scania B shares fell, there were a number of adjustments to the book in the size and prices of indications of interest that had been placed by investors. At 2:50pm an announcement was made on DB Chat that the book had closed. Meetings then took place to decide the price at which the shares should be allocated. Mr Maslen was involved in these discussions.
- 12.10 Deutsche decided to price the deal at SEK 234, even though this meant that it would have to remain with a risk position in the stock. Scania B shares were consequently allocated to investors at SEK 234. The market price of Scania B shares at 3:42pm, being the time the allocation was announced to Equity Sales, was SEK 230.50. As a result of this, amongst other matters, the adjustments to the indications of interest in the book and the withdrawal of investors from the book, a total of 75% of the Scania B shares in the book (47.8 million) were eventually distributed to clients, with the remainder (15.9 million shares) retained, by Deutsche. Deutsche's position also included the order placed at 2:00pm. After the trading Deutsche owned a maximum of 19.2 million Scania B shares on 4 March 2004.

13. Mr Maslen's instructions to conduct trading in the market while the book build was progressing

- 13.1 After the market price dropped to SEK 231.50 at 11:41am, Mr Maslen has stated that he decided to take a position in Scania B shares through the secondary market as the market price was lower than the marketing range for the book and he believed he may not receive a full allocation of the Scania B shares if he placed an order in the book as he was of the view that at the time the book build was progressing well. He believed that the Scania B shares were an attractive proposition. Mr Maslen therefore instructed a Deutsche trader who reported to him to purchase shares. The Deutsche trader was a senior trader with extensive experience in equities trading.
- 13.2 The Deutsche trader then made contact with one of the two external Swedish brokers he was to use during the day. The Deutsche trader used the two external Swedish brokers and did not deal directly in the Scania B shares. The two external Swedish brokers were responsible for the actual execution of the orders. At times the Deutsche trader gave them specific instructions regarding the price and trading strategy. On other occasions they used their own discretion within parameters set by the Deutsche trader. The Deutsche trader's first order for the purchase of Scania B shares was placed by one of the Swedish brokers at 11:55am.
- 13.3 Mr Maslen initially gave the Deutsche trader instructions as to what quantity of shares he wanted. Thereafter, Mr Maslen and the Deutsche trader communicated on several occasions face-to-face and by mobile telephone. Mr Maslen gave some general instructions to purchase further shares. During the period of the trading, further orders were passed by the Deutsche trader to the two external Swedish brokers and the Swedish brokers reported back to the Deutsche trader with details of the total quantity of Scania B shares purchased and the average price paid. Mr Maslen has stated that he believed, during the course of trading, that approximately 1.25 million Scania B shares had been purchased on his behalf. In fact, a total of 3.5 million Scania B shares were purchased by the Deutsche trader. Mr Maslen was unaware of this as he failed to monitor carefully either the nature or the extent of the trading.
- 13.4 Mr Maslen has stated that he did not believe he needed to consult Compliance in London nor Deutsche senior management in advance of, or during, the proprietary trading and therefore he did not do so. He did however participate in a series of discussions that took place between 1:00pm and 2:00pm on 4 March 2004, between various members of Deutsche's staff, including senior staff members from both Deutsche's Legal and Compliance departments and the Scania deal team. These discussions considered whether Deutsche could include its own order in a statement as to the level of coverage. Mr Maslen did not inform the attendees about the trading in Scania B shares on behalf of Deutsche that had been conducted in the market. Mr Maslen has stated that he did not do so because, at the time of the discussion, he was unaware of the actual volumes of Scania B shares that had already been acquired. He has stated that he did not believe the volume purchased (1.25 million Scania B

shares) was relevant in the context of this discussion. Following the conclusion of the proprietary trading, Mr Maslen brought it to the attention of Deutsche senior management.

- 13.5 The graph at Appendix A shows the intraday share price movements for Scania B shares and the volumes of shares bought by Deutsche through the two external Swedish brokers.

14. The purchasing of Scania B stock in the market on behalf of Deutsche.

- 14.1 The purchasing of Scania B shares in the secondary market on 4 March 2004 is discussed below:

11:51am to 12:18 pm

- 14.2 At 11:51 am, when the Scania B share price was below the marketing range, the Deutsche trader contacted the first external Swedish broker and subsequently placed the first order for Scania B shares. At 11.55am the first purchase was made at SEK 233.
- 14.3 During, this period Deutsche purchased a total of 734,500 Scania B shares representing 93% of the total of 790,800 shares traded in the market during this period.
- 14.4 The trading conducted on Deutsche's behalf during this period contributed to the bid/offer spread (the quoted prices at which, a buyer is prepared to buy and a seller is prepared to sell) for Scania B shares moving up by approximately 0.85% from SEK 232.50 - SEK 233 to SEK 234.50 - SEK 235, which was within the marketing range.

12:18pm to 2:14pm

- 14.5 During this period the Scania B share price largely remained at a level within the marketing range. The Deutsche trader purchased a further 2,217,300 Scania B shares representing some 88% of the total shares traded in the secondary market in this period.
- 14.6 The trading conducted on Deutsche's behalf during this period contributed to the bid/offer spread generally remaining at a level within the marketing range. After 2:14pm, no further orders were placed by Deutsche within the marketing range.

2:14pm to 3:03pm

- 14.7 In this period, the bid/offer spread for Scania B shares moved down at 2.14pm from SEK 234.00 - 234.50 to SEK 232.50 - 233.00 at 3.03pm.
- 14.8 After 2:14pm, 16 minutes before the advertised closure of the book, Deutsche's trading slowed and shares were purchased at prices below the

marketing range. Of the total of 1,598,700 Scania B shares bought during this period, 549,300 (34%) were bought on behalf of Deutsche.

- 14.9 The final instructions to the external Swedish brokers to purchase shares were given at 2:34pm and were executed at 3:03pm.

Outcome of the trading

- 14.10 In total, the Deutsche trader purchased up to 3.5 million Scania B shares on behalf of Deutsche on 4 March 2004, out of a total of 8.1 million shares traded in the market on the same day by all market participants. The average price of these purchases was SEK 234.18. Mr Maslen has stated that it was not his intention to purchase this volume of shares but accepts that he failed adequately to monitor the manner and extent of the trading.
- 14.11 As a result of the Deutsche trader, with Mr Maslen's knowledge, using the two external Swedish brokers and not conducting the trading through Deutsche's own membership on the Swedish exchange, the fact that Deutsche was active in the market and, therefore, the true nature of the demand present in the market, was not transparent. The trades executed by the external Swedish brokers on behalf of Deutsche were only visible in the Swedish market as the brokers' trading. It was, therefore, not transparent to the market that the orders placed by the external Swedish brokers were all Deutsche orders.
- 14.12 The trading was conducted at a time when Deutsche was "on risk", and already owned the 63.7 million Scania B shares it had purchased from Volvo. When the size of Deutsche's exposure to Scania B shares (which included the shares purchased in the market and the order placed in the book on behalf of Deutsche) became clear, instructions were given for the liquidation of most of the position to the Scania deal team.

15. Trading in breach of the restricted list

- 15.1 During March 2004, Deutsche's policy in London was to maintain a list of securities about which Deutsche had particular knowledge and/or interests, which might give rise to a conflict of interest ("the restricted list"). Deutsche sought to manage such conflicts by imposing restrictions on the activities its staff could conduct in those securities. All restrictions were communicated by the restricted list. At the time of the Scania transaction, the restricted list was available to all of its employees on Deutsche's Compliance website (on Deutsche's intranet). Deutsche's policies in relation to the restricted list stated that employees were responsible for checking the list before they conducted transactions.
- 15.2 The book build met Deutsche's internal criteria for entry on to the restricted list. The restriction prohibited trading in Scania B shares. Restrictions on trading in Scania B shares were added to the restricted list at 10:50am on 4 March 2004. Details of the restriction appeared 15 minutes later on Deutsche's intranet.

- 15.3 Mr Maslen instructed the Deutsche trader to commence purchasing Scania B shares on behalf of Deutsche shortly before 11:51am. Mr Maslen erroneously assumed that Scania B shares would not be on Deutsche's restricted list and, therefore, he did not check the restricted list when giving the instructions to purchase Scania B shares to the Deutsche trader.

16. Summary of Mr Maslen's involvement in Deutsche's contravention

- 16.1 The FSA considers that Mr Maslen is guilty of misconduct as referred to in section 66 of the Act as he was knowingly concerned in the contravention by Deutsche of Principle 5 of the Principles in that:

- 16.1.1 he knew that Deutsche was running a book build in Scania B shares and that the period of the book build was a sensitive time in relation to any trading by Deutsche in such shares;
- 16.1.2 he knew that the market price and the demand for Scania B shares could be relevant to the decisions of potential investors whether to enter or remain in the book build;
- 16.1.3 he knew that if high volumes of Scania B shares were purchased by Deutsche this could have the potential to affect the Scania B share price and investors' understanding of the nature of supply and demand for Scania B shares in the market;
- 16.1.4 he instructed the Deutsche trader, who reported to him, to conduct proprietary trading in Scania B shares in the secondary market during the book build and he failed to monitor carefully the nature and extent of that trading; and
- 16.1.5 he was at the time of the Scania transaction, the Head of European Cash Trading at Deutsche. He had extensive experience in equities trading and book building. He had knowledge of the proper standards of market conduct that should be observed but failed, for the reasons set out above, to meet them.

- 16.2 The FSA considers that Mr Maslen's misconduct is made more serious by the following matters:

- 16.2.1 he was actively involved in the Scania transaction being run by the ECM Syndicate team, but he also had responsibilities with regard to equity trading. In his "supra wall" capacity, he participated in discussions with senior management prior to the Scania transaction regarding its merits and was involved in the setting of the marketing range for the book build. After the book was closed, he was significantly involved in the allocation and pricing of the Scania transaction. In this capacity, he had a responsibility to exercise particular caution, care and diligence in matters associated with the Scania transaction;

- 16.2.2 as set out in section 13, despite this extensive involvement and issuing the trading instructions, he did not consult Compliance prior to instructing the Deutsche trader to purchase the Scania B shares in the market on behalf of Deutsche, nor did he inform Deutsche's senior management. He also did not make Compliance or senior management at Deutsche aware of the ongoing trading activities conducted by the Deutsche trader on behalf of Deutsche, on his instructions, during discussions throughout the day concerning the progress and status of the book build; and
- 16.2.3 as set out in section 15, he failed to check Deutsche's restricted list, which prohibited proprietary trading in Scania B shares at the time.
- 16.3 As a result of the proprietary trading conducted on Mr Maslen's instructions on behalf of Deutsche:
 - 16.3.1 there was a material effect on the market price of the Scania B shares for a period while the book build was in progress in that it contributed to the price of the shares moving up by approximately 0.85% to within the marketing range and remaining within the marketing range until it slipped down to below the marketing range; and
 - 16.3.2 during that period of trading, investors and potential investors did not obtain a full understanding of the nature of the demand for Scania B shares independent of Deutsche and the fact that it was Deutsche's activity that was affecting the share price during the period of trading. This could have been relevant to the decisions of potential investors as to whether to enter or remain in the book build.

RELEVANT LEGAL AND REGULATORY PROVISIONS

- 17. Section 66(1) of the Act provides:

"The authority may take action against a person under this section if-

(a) it appears to the [FSA] that he is guilty of misconduct; and

(b) the [FSA] is satisfied that it is appropriate in all the circumstances to take action against him".

- 18. Section 66(2) of the Act provides:

"A person is guilty of misconduct if, while an approved person –

(b) he has been knowingly concerned in a contravention by the relevant authorised person of a requirement imposed on that authorised person by or under this Act."

Relevant Guidance

19. The FSA's general approach in relation to discipline against approved persons is set out in Chapter 11.5 of the Enforcement Manual ("ENF"), which forms part of the FSA's Handbook.

Penalty

20. In consequence of the above actions, the FSA considers that Mr Maslen is knowingly concerned in Deutsche's contravention of Principles 5 of the Principles. The FSA therefore proposes to impose a penalty pursuant to section 66(3)(a) on him.
21. The FSA's policy in relation to the imposition of financial penalties is set out in Chapter 13 of ENF. The principal purpose of financial penalties is to promote high standards of regulatory conduct by deterring approved persons who have breached regulatory requirements from committing further contraventions, helping to deter other approved persons from committing contraventions, and demonstrating generally to approved persons the benefits of compliant behaviour.
22. The severity of the penalty should reflect the degree of wrongdoing in each case and be proportionate to the breach in question. The level of financial penalty should also take into account all the relevant circumstances of the case (ENF 13.3.1). In setting the level of penalty in this case, the FSA has taken into account the following particular matters.
23. Seriousness of the misconduct
 - 23.1 The FSA considers that Mr Maslen's misconduct was sufficiently serious to warrant the level of financial penalty imposed on him.
 - 23.2 The significant size and profile of the Scania transaction meant that a significant number of counterparties could have been affected. Mr Maslen has extensive experience in cash equities trading and his actions occurred at a particularly sensitive time for the Scania B shares, being at the time of a substantial accelerated book build transaction.
 - 23.3 The volumes of shares purchased in the market had a material effect on the share price of Scania B shares in the market.
 - 23.4 As a result of the proprietary trading conducted on behalf of Deutsche, potential investors in the book build did not obtain a full understanding of the market price and supply and demand for Scania B shares independent of Deutsche. This could have had the potential to affect investors' decisions as to whether to participate or to remain in the book build.

24. *The extent to which the misconduct was deliberate or reckless*

24.1 The FSA considers that Mr Maslen's actions were deliberate in the instruction of the Deutsche trader to commence proprietary trading in the secondary market in Scania B shares. The FSA does not allege that Mr Maslen deliberately sought to manipulate the market.

24.2 In addition, Mr Maslen did not pay due regard to the restricted list operated by Deutsche, which prohibited proprietary trading in Scania B shares at the time.

25. *Conduct following the contravention*

25.1 The FSA acknowledges the cooperation it has received from Mr Maslen during its investigation, particularly his agreement to an early settlement of the investigation.

25.2 Mr Maslen was subject to internal disciplinary action by Deutsche in relation to the matters of concern to the FSA and his bonus compensation for 2004 was reduced following Deutsche's findings on the conclusion of its internal disciplinary process. His role was also changed.

26. *Disciplinary record and compliance history*

26.1 Mr Maslen has not been subject to previous disciplinary action by the FSA.

27. *Previous action taken by the FSA and other regulatory authorities*

27.1 The FSA has taken into account previous action against approved persons in relation to comparable matters. This action has included the imposition of financial penalties. The FSA has taken these penalties into account.

DECISION MAKER

28. The decision which gave rise to the obligation to give this Final Notice was made by the Executive Settlement Decision Makers on behalf of the FSA.

IMPORTANT

29. This Final Notice is given to Mr Maslen in accordance with section 390 of the Act.

Manner of and time for Payment

30. The financial penalty must be paid in full by Mr Maslen to the FSA by no later than 24 April 2006, 14 days from the date of the Final Notice.

If the financial penalty is not paid

31. If all or any of the financial penalty is outstanding on 25 April 2006, the FSA may recover the outstanding amount as a debt owed by Mr Maslen and due to the FSA.

Publicity

32. Sections 391(4), 391(6) and 391(7) of the Act apply to the publication of information about the matter to which this notice relates. Under those provisions, the FSA must publish such information about the matter to which this notice relates as the FSA considers appropriate. The information may be published in such manner as the FSA considers appropriate. However, the FSA may not publish information if such publication would, in the opinion of the FSA, be unfair to Mr Maslen or prejudicial to the interests of consumers.
33. The FSA intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

FSA contacts

34. For more information concerning this matter generally, Mr Maslen should contact Stephen Robinson at the FSA (direct line: 020 7066 1338 /fax: 020 7066 1339).

Tracey McDermott
Enforcement Division

APPENDIX A

