



FINANSTILSYNET
THE FINANCIAL SUPERVISORY
AUTHORITY OF NORWAY

Citigroup Inc
1209 Orange Street
Wilmington, Delaware
USA

OUR REFERENCE
21/9526

YOUR REFERENCE

DATE
17.12.2021

Dear Sir/Madam

Decision regarding violation penalty

Reference is made to the letter regarding disclosure of large shareholdings from the Financial Supervisory Authority of Norway ("Finanstilsynet") dated 15 September 2021 and Finanstilsynet's advance notification of violation penalty of 16 November 2021, and the reply received from Citigroup Inc ("Citi") in its letter of 5 October 2021 and e-mail of 9 December 2021.

Based on an assessment of the facts, Finanstilsynet has concluded that Citi has violated the Norwegian Securities Trading Act ("NSTA") section 4-2, and has decided to impose a violation penalty in the amount of NOK 100 000.

1. Legal basis

Pursuant to the NSTA section 4-2, a shareholder shall immediately notify the regulated market of a transaction which causes the shareholder's portion of shares and/or rights to shares to reach, exceed or fall below 5 %, 10 %, 15 %, 20 %, 25 %, 1/3, 50 %, 2/3 or 90 % of the share capital or an equivalent proportion of the voting rights in a company whose shares are quoted on a regulated market. The section applies to shares admitted to trading on a regulated market of an issuer having Norway as its home state.

Equivalent to shares and/or rights to shares are certain voting rights to shares mentioned in the NSTA section 4-2 subsection 2. The notification requirement also applies to anyone who through disposal or other circumstances change their proportion of the share capital, rights to shares or voting rights so that the proportion reaches, crosses or falls below the mentioned thresholds.

Pursuant to the Securities Regulation of 29 June 2007 no 876 section 4-1 ("Securities Regulation"), the notification to the Oslo Stock Exchange shall specifically provide the information relating to inter alia the number of shares covered by the event which triggered the notification.

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According to the NSTA section 4-2 subsection 6, the notification to the regulated market is required "immediately" after an agreement on acquisition or disposal has been entered into, or the party concerned becomes aware of, or should have become aware of, any other circumstance causing the party concerned to reach or fall below a threshold as provided for in the NSTA section 4-2 subsection 1.

According to the Guidelines of Finanstilsynet regarding chapter 4 of the NSTA of 22 February 2021 paragraph 3.8 ("*Veiledning til verdipapirhandelloven kapittel 4 – flaggeplikt*"), this should be understood as the time it takes to write and send the notification to the market.

Finanstilsynet may under the NSTA section 21-3 subsection 1, impose individuals and/or legal persons a violation penalty in the event of negligent or willful violation of the NSTA section 4-2.

In order to impose a violation penalty on a legal person, the NSTA section 21-9 subsection 2 refers to the Public Administration Act (PAA) section 46 subsection 1. Finanstilsynet will practice the PAA section 46 in a manner that requires the legal person in question to have acted with at least negligence. This means that a violation penalty can be imposed if a person acting on behalf of the company commits the violation negligently or willfully. However, the subjective requirements can also be met by anonymous or cumulative errors.

When deciding whether an administrative sanction is to be imposed and the size of such sanction, attention may under the NSTA section 21-14 be given to the following:

- 1) the gravity and length of the breach;
- 2) the degree of guilt of the perpetrator;
- 3) the financial strength of the perpetrator, in particular total turnover or annual income and
- 4) assets;
- 5) profits gained or loss avoided;
- 6) any loss inflicted on a third party due to breach;
- 7) will by the perpetrator to cooperate with public authorities;
- 8) earlier violations;
- 9) arguments as mentioned under the Public Administration Act section 46 subsection (2);
- 10) other relevant arguments.

2. Factual background

Citi crossed the 5 % threshold in Otello Corporation ASA ("OTEC") on Friday 6 August 2021. A notification was published at the Oslo Stock Exchange on Tuesday 10 August 2021 at 12:34 CET.

3. Statement of the discloser

It its letter of 5 October 2021 Citi has informed that the company operates with a Disclosure of Interest program ("DOI) in order to ensure consistency and timeliness for reporting economic interests as required by various countries. The system identifies a potential filing requirement on a

Trade Date +1 (T+1) basis in order to account for various life cycle activities applicable to the financial instruments. The position on OTEC triggered an electronic alert in Citi's DOI workflow on Monday 9 August 2021 as a result of activity on trade date Friday 6 August 2021. The position and economic interest impact was confirmed with the respective trading desk and submitted to the Oslo Stock Exchange via email at close of business on Monday 9 August 2021.

Citi delivered a TR-1 standardized template recognized and accepted in countries in EMEA in absence of a formal approved template by Finanstilsynet, and, as such, the Firm contacted the Oslo Stock Exchange the following business day to ensure that the submission was made successfully. In that communication, Citi was made aware of an additional request to include the position of OTEC prior to trade date. Citi submitted the corrected TR-1 from on 10 August 2021. The initial submission of 9 August 2021 of OTEC position remained unchanged when the additional data requested was provided.

In its letter of 16 November 2021 regarding advance notification of violation penalty, Citi was provided with a deadline to provide any further relevant comments in this matter. In its e-mail of 9 December 2021, Citi confirmed that they had no further comments.

4. Finanstilsynet's assessment of whether a violation penalty shall be imposed and its size

Finanstilsynet finds that the notification published by the Oslo Stock Exchange on Tuesday 10 August 2021 regarding Citi's crossing of the 5 % disclosure threshold in OTEC on Friday 6 August 2021, was made too late. Finantilsynet's opinion is therefore that Citi violated section 4-2 of the NSTA.

According to the NSTA section 4-2, the notification to the Oslo Stock Exchange should have been made "immediately" after the transaction was completed on Friday 6 August 2021. Pursuant to the Guidelines of Finanstilsynet regarding chapter 4 of the NSTA (cf. section 1 above), this should be understood as the time it actually takes to write and send the notification to the market. For larger group companies which operate in different jurisdictions and time zones, Finanstilsynet has accepted that these companies shall be allowed certain time to consolidate their data. In any event, this means that such companies must notify the market – at the latest – by close of business day on the relevant trade date. As such, Citi should have notified the Oslo Stock Exchange at the latest on Monday 9 August 2021 before the Oslo Stock Exchange opened at 09:00 CET.

Citi, as a professional company operating in the Norwegian securities market is expected to have in place appropriate procedures and/or systems that will enable it to identify and satisfy the disclosure obligations in a timely and complete manner, and in accordance with the relevant specific requirements applicable in the jurisdiction in which it operates.

The first notification to the Oslo Stock Exchange was made on Monday 9 August 2021 at 18:12 CET (i.e. after the Oslo Stock Exchange had closed for business). Oslo Stock Exchange reached out to Citi in the following morning, Tuesday 10 August 2021 at 07:33 CET and asked Citi to provide further information and state the number of shares which were acquired in order for the notification

to satisfy the requirements under the Securities Regulation. Citi followed thereafter with a new updated TR-1 form which was submitted to the Oslo Stock Exchange on Tuesday 10 August 2021 at 11:53 CET. The notification was then published the same day at 12:34 CET.

Citi is responsible for submitting its notifications in a timely manner and in accordance with the requirements in the NSTA and the Securities Regulation. Although not clearly stated, it seems that Citi argues that Finanstilsynet had not published any standardized forms for submitting notifications relating to disclosure of large shareholdings, and, as such, Citi failed to provide its notification in a timely and correct manner. Citi is responsible for adhering to the legislation which applies in the relevant jurisdiction in which it operates. It is therefore considered as negligent when Citi fails to comply with the obligations set out in the NSTA and the Securities Regulation.

Finanstilsynet's assessment is therefore that the criterion of negligence is met in this case.

Finanstilsynet finds that both the objective and subjective conditions for imposing a violation penalty are met, cf. the NSTA section 21-3 subsection 1, section 21-9, 21-14 cf PAA section 46.

When assessing whether to make use of a violation penalty, Finanstilsynet has made a concrete assessment of the case in accordance with the NSTA section 21-14.

The rules on disclosure obligations under NSTA section 4-2 are meant to assure that the issuer and the stock market receive fast knowledge of the acquisition or disposal of shares or other circumstances changing the proportion of the share capital, rights to shares or voting rights in the issuer. Changes in ownership in a company listed on a regulated market can have a notable influence on the price of the issuers shares in the market, as this could give an indication that someone has, or no longer has a strategic interest in the issuing company. For this reason, it is important that the market receives this information as soon as possible.

Compliance with the disclosure rules is important to ensure that relevant information on significant changes in ownership at listed companies is disclosed to the market. This information enables the investors to make well-considered investment decisions, which in turn is important to maintain confidence in the market. Finanstilsynet's assessment is therefore that a violation penalty should be imposed.

Finanstilsynet refers to the NSTA section 21-14 which states that when the size of a violation penalty is assessed, importance shall be attached to the gravity and the length of the breach, as well as the degree of guilt found. In addition, also other criteria specified in the NSTA section 21-14 may be taken into consideration when assessing the size of the violation penalty.

In its overall assessment, Finanstilsynet has taken into consideration all facts and circumstances specific to this matter and which have been addressed by Citi. Finanstilsynet has in particular taken into consideration that the violation of the disclosure obligation could have been prevented had Citi put in place appropriate procedures and/or systems in advance which would have allowed them to

notify the market in a timely and correct manner in accordance with the NSTA and the Securities Regulation.

An overview of violation penalties that has previously been imposed is published on Finanstilsynet's website in the second bullet point under the tab "Flaggeplikt" at <https://www.finanstilsynet.no/tilsyn/markedsatferd>.

5. Finanstilsynet's decision

On the basis of the above, Finanstilsynet imposes a violation penalty on Citigroup Inc, in the amount of NOK 100,000 for its violation of the NSTA section 4-2. The legal basis is the NSTA section 21-3, section 21-9 and section 21-14.

This administrative decision can be appealed within 3 weeks after receipt. An appeal shall be sent to Finanstilsynet. The appellate instance is the Ministry of Finance. Sections 18 and 19 of the Public Administration Act, on the parties' right to become acquainted with the case documents, apply. Violation penalties are collected by the Tax Administration at the Norwegian National Collection Agency.

If the administrative decision is not appealed, the Norwegian National Collection Agency will send a claim for payment immediately after the deadline for an appeal has expired. If the decision is appealed, the claim is sent after the appeal has been decided by the Ministry of Finance. The Norwegian National Collection Agency's deadline for payment is 3 weeks after the invoice has been sent.

If you have any questions regarding this matter, please contact Anisa Isaksen by email anisa.isaksen@finanstilsynet.no, or phone +47 22 93 98 58.

On behalf of Finanstilsynet

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This document has been electronically approved and does not require handwritten signatures.