

## Annex 3

## Regulatory frameworks in the Member States

The following tables, prepared from material provided by member and observer organisations of the Committee of European Securities Regulators (CESR) and with assistance from the CESR Secretariat, seek to set out in broad terms the existing regulatory position in the European Economic Area (EEA)<sup>1</sup> Member States, including those joining in 2004, along with details of any proposed new regulation:

- Austria
- Belgium
- Cyprus
- Czech Republic
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Iceland
- Italy
- Lithuania
- Luxembourg
- Norway
- Portugal
- Slovakia
- Slovenia
- Spain
- Sweden
- United Kingdom

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<sup>1</sup> The European Economic Area consists of the Member States of the European Union plus Iceland, Norway and Liechtenstein.

Austria	
<b>A: Production of analysis</b>	
<b>1. Authorisation/registration requirements for research analysts, (including any requirements relating to examinations or professional qualifications)</b>	<p>No specific provisions in Austrian law. Relevant legislation: the Austrian Securities Supervision Act (ASSA) and the Austrian Compliance Decree for Issuers (CDI). Also relevant are the following two codes:</p> <ul style="list-style-type: none"> <li>• The Austrian credit institutions issued a Standard Compliance Code (SCC) in December 1999.</li> <li>• In 1993 the Austrian Association for Financial Analysis and Asset Management (AAFAAM) issued a Compliance Code for Analysts, which is currently under review, with the aim of establishing a new Code of Ethics.</li> </ul> <p>The AAFAAM offers a course for financial analysts and asset managers. Following the successful completion of the course by passing a worldwide standardised exam and the membership to the AAFAAM, the participant is entitled to a certificate, the CIIA (Certified International Investment Analyst), which will be acknowledged worldwide by the end of 2003. Members of the AAFAAM must sign the code and follow it carefully. In the worst case, any breaches might lead to the withdrawal of the certificate.</p> <p>The Financial Market Authority (FMA) keeps a register of analysts working for credit institutions, with the intention to use it in the case of insider investigations.</p> <p>There is currently no legal obligation for analysts to pass specific exams.</p>
<b>2. Legislation governing content of a research report</b>	<p>No specific provisions in Austrian law.</p> <p>The AAFAAM Compliance Code for Analysts stipulates that the minimum standard is a structural analysis, which must contain the development of the most important figures (turnover, profit, investments) of the last three years, a forecast and a set of indicators. The latter must contain indicators established by the AAFAAM. The forecast should give turnover and profit expectations for at least the current year, if possible also the following year. The most important assumptions must be disclosed. These are the developments of volumes, prices and costs. Furthermore, the forecast should assess the likelihood of the different scenarios.</p>
<b>3. Proposed new requirements relating to production of analysis</b>	<p>Currently a new Code of Ethics is being worked out by the AAFAAM, taking into account the latest developments in European legislation.</p>
<b>B: Conflict of interest prevention/management</b>	
<b>1. Regulatory or other restrictions on research analysts' personal trading or other activities connected to their research work</b>	<p>There are no specific provisions in the Austrian Law concerning analysts. However, the general rules of conduct stipulated in the ASSA must be applied:</p> <p>According to Art. 13 fig. 2 ASSA, legal entities providing investment services shall endeavour to avoid conflicts of interest and ensure that, in the event of unavoidable conflicts of interest, the customer order is executed with due regard to the interests of the customer.</p> <p>According to Art. 16 fig. 2 ASSA these legal entities shall be organised in such a manner that, when providing investment services, conflicts of interest between these legal entities and their customers or between different customers are minimised to the greatest extent possible.</p> <p>According to Art. 14 fig. 2 ASSA, these legal entities shall be prohibited from recommending to their customers the sale or purchase of financial instruments with the intent of inducing prices to move in a certain direction for their own account dealings or for those of an affiliated enterprise.</p>
<b>2. Regulatory or other restrictions on the structure or activities of research analysts' employers designed to prevent or manage conflicts of interest within the organisation</b>	<p>See B.1 above.</p> <p>Furthermore, the SCC stipulates that that credit institutions should create Chinese walls between confidential areas, which include the analysis department.</p>

<p><b>3. Disclosures required in relation to a research report issued to clients/the public</b></p>	<p>The AAFAAM Compliance Code for Analysts contains the following disclosure requirements:</p> <p><i>To the client:</i></p> <p>Any divergence of opinion between the analyst and the client must be disclosed to the analysed company.</p> <p><i>To the public:</i></p> <p>The company publishing the research must publish details of:</p> <ul style="list-style-type: none"> <li>• any substantial interest in the analysed company;</li> <li>• any membership in the consortium of a share issue of the analysed company in the last three years;</li> <li>• any activities/responsibilities in the analysed company.</li> </ul>
<p><b>4. Disclosure or other requirements relating to the retention of research reports and supporting documentation by the research analyst's employer</b></p>	<p>None.</p>
<p><b>5. Specific measures regarding firms participating in an Initial Public Offering</b></p>	<p>The Austrian Compliance Decree for Issuers (CDI) contains the following requirements:</p> <p><i>Art. 8. (1)</i> The issuer shall determine appropriate periods of time during which persons working in confidentiality areas shall be not allowed to place orders for securities of the issuer (<i>Art. 3 fig. 3</i>) (blocking periods).</p> <p><i>(2)</i> The following periods within the meaning of par. 1 shall be considered appropriate:</p> <ol style="list-style-type: none"> <li>1. three weeks prior to the scheduled disclosure of (preliminary) quarterly results, and</li> <li>2. six weeks prior to the scheduled disclosure of (preliminary) annual results.</li> </ol> <p><i>(3)</i> Additional blocking periods may be determined by the Compliance Officer in agreement with the management board of the issuer. The trading ban pursuant to par. 1 imposed by these blocking periods may be restricted to a limited group of persons working in confidentiality areas or to individual confidentiality areas. The date of commencement and the specific duration of the blocking period, if already known, shall be communicated to the relevant persons working in confidentiality areas in an adequate manner and by furnishing proof thereof.</p> <p><i>(4)</i> The Compliance Officer may grant exemptions to individual persons working in confidentiality areas from the trading ban during a blocking period on legitimate grounds that are justified by the individual situation of the relevant persons if it is guaranteed that the securities transactions do not violate the obligations imposed by Art. 48a Stock Exchange Act.</p> <p><i>(5)</i> All applications submitted in connection with the intention to conduct securities transactions during blocking periods shall be documented by the Compliance Officer by recording the name of the person concerned, the designation of the security as well as the type, scope and reason for the planned transaction. Furthermore, the Compliance Officer shall record his or her decision and the reasons for the decision taken.</p> <p><i>Art. 9.</i> Orders pursuant to Art. 8 par. 1 shall be equivalent to orders placed by</p> <ol style="list-style-type: none"> <li>1. persons working in confidentiality areas on behalf and/or for the account of a third party,</li> <li>2. third parties on behalf and/or for the account of persons working in confidentiality areas, as well as</li> <li>3. companies in which persons working in confidentiality areas hold a controlling interest.</li> </ol>

<b>6. Other required disclosures relating to research analysts' or their employers' conflicts of interest</b>	None.
<b>7. Requirements or prohibitions relating to determination of research analysts' remuneration</b>	None.
<b>8. Proposed new regulation relating to conflicts of interest prevention/management</b>	See A.3 above.

Belgium	
<b>A: Production of analysis</b>	
1. Authorisation/registration requirements for research analysts, (including any requirements relating to examinations or professional qualifications)	Research analysts and/or their activities are not subject to authorisation and/or registration requirements. However, most of the financial analysts in Belgium are working for and under the responsibility of financial intermediaries.
2. Legislation governing content of a research report	None.
3. Proposed new requirements relating to production of analysis	Belgium will implement the measures provided by article 6.5 of the Market Abuse Directive.
<b>B: Conflict of interest prevention/management</b>	
1. Regulatory or other restrictions on research analysts' personal trading or other activities connected to their research work	There are no specific regulatory measures. Financial Analysts must comply with the market abuse regulations and with the internal measures imposed by the financial intermediaries for which they work.  Financial Analysts who are members of the <i>Association belge des Analystes Financiers</i> must comply with the rules of conduct issued by this association.
2. Regulatory or other restrictions on the structure or activities of research analysts' employers designed to prevent or manage conflicts of interest within the organisation	The Belgian rules of conduct require financial intermediaries to avoid all possible conflicts of interest and, where such conflicts cannot be avoided, to ensure that their clients are treated in a fair and equal manner, and where appropriate, to implement any measure such as mandatory reporting, complying with internal secrecy rules, or refusing to act (article 36 of the Act of 6 April 1995).
3. Disclosures required in relation to a research report issued to clients/the public	The Banking and Finance Commission recommends that financial intermediaries specify, at the beginning of research reports, all situations which may generate a situation of conflict of interest with their clients (circular E/1/97).
4. Disclosure or other requirements relating to the retention of research reports and supporting documentation by the research analyst's employer	None.
5. Specific measures regarding firms participating in an Initial Public Offering	The Banking and Finance Commission issued a circular (E/1/97) with recommendations for financial intermediaries providing financial research and participating in an Initial Public Offering, the conclusions of which are the following:  <i>« - il convient d'éviter toute discordance et contradiction entre les informations objectives données dans le prospectus et celles qui sont reprises dans les études publiées par des analystes liés aux chefs de file, intermédiaires conseils ou membres des syndicats de placement;</i>  <i>- l'intermédiaire chargé de la rédaction du prospectus doit jouer un rôle de premier plan dans la rédaction des parties du prospectus relatives à la justification du prix d'émission et à la description de la situation de l'émetteur dans son secteur d'activités. Ce rôle doit en principe inclure un travail de vérification de la concordance des informations données dans le prospectus par rapport à la réalité économique;</i>

	<p>- si un des analystes liés aux chefs de file, intermédiaires conseils ou membres des syndicats de placement souhaite intégrer dans son étude des perspectives plus développées que dans le prospectus, il doit indiquer qu'il s'agit de ses estimations propres sous sa responsabilité. L'analyste doit en outre indiquer les sources d'information utilisées pour faire ses prévisions, recouper au mieux les informations utilisées, préciser clairement les hypothèses formulées, mentionner les facteurs de risque et évaluer au mieux la sensibilité de ses prévisions aux variables exogènes les plus importantes pour l'émetteur concerné;</p> <p>- les intermédiaires doivent mentionner clairement, au début des études qu'ils publient, toute situation susceptible de générer un conflit d'intérêt avec leurs clients;</p> <p>- le ton adopté dans les études publiées par des intermédiaires en situation de conflit d'intérêt doit être le plus objectif possible et les analystes doivent éviter de faire une sélection "orientée" de l'information, afin de ne pas induire le public en erreur (les études doivent être honnêtes et non trompeuses ("fair and non misleading"));</p> <p>- les intermédiaires doivent s'abstenir de déclinier toute responsabilité pour les informations, analyses et appréciations contenues dans les études qu'ils publient; il convient en outre qu'ils indiquent, au début de l'étude, la mesure dans laquelle ils ont vérifié les informations sur lesquelles ils se sont appuyés pour réaliser leur étude;</p> <p>- les études réalisées à l'occasion d'un appel public au marché par des analystes liés aux chefs de file, intermédiaires conseils ou membres des syndicats de placement, ne peuvent pas être distribuées au public et à la presse avant la publication du prospectus et elles doivent faire explicitement mention de l'existence de celui-ci et de la manière de se le procurer; elles ne peuvent par ailleurs être distribuées aux particuliers et à la presse qu'accompagnées du prospectus. »</p> <p>The Banking and Finance Commission also issued recommendations with respect to allocation to investing clients, in the framework of its general Guidelines with respect to the Operation of the Primary Market (D2/F/2000/4).</p>
<p><b>6. Other required disclosures relating to research analysts' or their employers' conflicts of interest</b></p>	<p>None.</p>
<p><b>7. Requirements or prohibitions relating to determination of research analysts' remuneration</b></p>	<p>None.</p>
<p><b>8. Proposed new regulation relating to conflicts of interest prevention/management</b></p>	<p>The implementation of the Market Abuse Directive and, once agreed, the (currently draft) Investment Services Directive.</p>

Cyprus	
<b>A: Production of analysis</b>	
<b>1. Authorisation/registration requirements for research analysts, (including any requirements relating to examinations or professional qualifications)</b>	<p>None.</p> <p>The offer of financial services in Cyprus is regulated by the Investment Firms Laws 2002 and 2003 which fully comply with the relevant EU directives. In this Law it is explicitly provided that the performance of research analysis on any financial instruments by non-licensed persons is not prohibited, provided that such an analysis does not conceal financial advice on and/or the evaluation of specific financial instruments: [Paragraph (5) of Section (4)].</p> <p>However the Code of Professional Conduct of Persons licensed to offer Financial Services and the employees of such persons, in the Section dealing with the prevention and the resolution of conflicts of interest between the Financial Firm and its clients or between its clients, gives specific guidance as to the information that should be disclosed when the Firm carries out Financial Analysis which is distributed to its clients and or the public. [Appendix 6, Part II, Paragraph 2.2].</p>
<b>2. Legislation governing content of a research report</b>	None.
<b>3. Proposed new requirements relating to production of analysis</b>	Not for the moment, however it is envisaged that in the near future financial analysts will need to be professionally qualified and/or be members of one of the professional bodies of Financial Analysts.
<b>B: Conflict of interest prevention/management</b>	
<b>1. Regulatory or other restrictions on research analysts' personal trading or other activities connected to their research work</b>	Only in the case where they are employed by an Investment Firm, in which case they will be subject to the rules in force for the prevention of conflicts of interest.
<b>2. Regulatory or other restrictions on the structure or activities of research analysts' employers designed to prevent or manage conflicts of interest within the organisation</b>	Only in the case where their employer is an Investment Firm, in which case they will be subject to the rules in force for the prevention of conflicts of interest.
<b>3. Disclosures required in relation to a research report issued to clients/the public</b>	<p>Any potential conflict of interest should be explicitly disclosed, especially if any of the following are applicable:</p> <ul style="list-style-type: none"> <li>• During the last 3 years the Investment Firm and/or its affiliates have acted as the underwriters or the sponsors or the managers of a public offering/issue of the financial instruments being analysed or other financial instruments of the company.</li> <li>• The Investment Firm and/or its affiliates are acting as corporate brokers or sponsors or market makers for the financial instruments issued by the company.</li> <li>• The author of or an individual who assisted in the preparation of the report (or the spouse or first degree relative) has a direct ownership position in financial instruments issued by the company or derivatives thereof.</li> <li>• A member of the Board of Directors or an employee of the Investment Firm and/or its affiliates serves on the board of directors of the company.</li> <li>• The Investment Firm and/or its affiliates own one per cent or more of any financial instruments of the company.</li> <li>• The Investment Firm and/or its affiliates have received fees for the provision of investment banking, financial or non-core financial services to the company in the 12 months preceding the publication of the analysis.</li> </ul>

	<ul style="list-style-type: none"> <li>• The Investment Firm and/or its affiliates expect to receive from the company fees for the provision of investment banking, financial or non-core financial services based on an agreement in force at the time the analysis is made public.</li> <li>• The Investment Firm and/or its affiliates have any other material relationship with the company which should be disclosed.</li> </ul>
<b>4. Disclosure or other requirements relating to the retention of research reports and supporting documentation by the research analyst's employer</b>	None.
<b>5. Specific measures regarding firms participating in an Initial Public Offering</b>	None.
<b>6. Other required disclosures relating to research analysts' or their employers' conflicts of interest</b>	None.
<b>7. Requirements or prohibitions relating to determination of research analysts' remuneration</b>	None.
<b>8. Proposed new regulation relating to conflicts of interest prevention/management</b>	None.



<b>Czech Republic</b>	
<b>A: Production of analysis</b>	
<b>1. Authorisation/registration requirements for research analysts, (including any requirements relating to examinations or professional qualifications)</b>	Research analysts are not subject to specific regulation. Only brokers/dealers pursuing this activity (as a non core investment service) have to comply with prudential care, market transparency and other requirements; and intentional dissemination of false information can constitute the crime of fraud.
<b>2. Legislation governing content of a research report</b>	None.
<b>3. Proposed new requirements relating to production of analysis</b>	A new law on capital market implementing, inter alia, the Market Abuse Directive, is to be submitted to the Parliament later this year. Details of the new regulation are still under discussion.
<b>B: Conflict of interest prevention/management</b>	
<b>1. Regulatory or other restrictions on research analysts' personal trading or other activities connected to their research work</b>	There are only restrictions for employees and executives of brokerage houses and management companies, especially strict prohibition of confidential information abuse and organisational barriers restricting the risk of confidential information abuse. A person who, due to his employment or profession, acquires confidential information, is not allowed to make use of such information for his personal benefit or for the benefit of another person, namely to acquire or dispose of the capital market instrument which the information concerns. The particular restrictions are defined by employer's internal rules that are approved by the Securities Commission within the licensing procedure.
<b>2. Regulatory or other restrictions on the structure or activities of research analysts' employers designed to prevent or manage conflicts of interest within the organisation</b>	The Securities Act stipulates that the brokerage house is obliged to introduce in its operations such procedures and information and organisational barriers to restrict the possibility of any conflict of interests between it and its client or among its clients. The obligation is regulated in detail by the Securities Commission's "Decree on Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Customers".
<b>3. Disclosures required in relation to a research report issued to clients/the public</b>	Czech legislation does not stipulate any minimal requirements neither for an analytical report produced for clients of brokerage houses nor for an analytical report which is produced for the wider public.
<b>4. Disclosure or other requirements relating to the retention of research reports and supporting documentation by the research analyst's employer</b>	None.
<b>5. Specific measures regarding firms participating in an Initial Public Offering</b>	None.
<b>6. Other required disclosures relating to research analysts' or their employers' conflicts of interest</b>	None.

<b>7. Requirements or prohibitions relating to determination of research analysts' remuneration</b>	There are no legislative requirements or prohibitions regarding research analysts' remuneration. The analysts employed at brokerage houses are usually paid a fixed remuneration, only a small proportion of their compensation depends on a company's results.
<b>8. Proposed new regulation relating to conflicts of interest prevention/management</b>	As a result of the large amount of attention the media pay to economic analysis, the ability of analysts employed at renowned brokerage houses and independent analysts to influence the opinion of the general public is considerable. Therefore the Securities Commission regard more detailed regulation in this field as necessary. The discussion on a particular form of regulation is at the starting point.

Denmark	
<b>A: Production of analysis</b>	
<b>1. Authorisation/registration requirements for research analysts, (including any requirements relating to examinations or professional qualifications)</b>	<p>There are no authorisation or registration requirements for financial analysts in Denmark. Where the activities are carried out by a regulated company ie an investment bank, regulation on conflicts of interest, organisational requirements etc will apply to the research activities.</p> <p>Examinations and/or qualifications are not required by law or regulation.</p>
<b>2. Legislation governing content of a research report</b>	The content of a research report is not defined by law or regulation.
<b>3. Proposed new requirements relating to production of analysis</b>	See B.8 below.
<b>B: Conflict of interest prevention/management</b>	
<b>1. Regulatory or other restrictions on research analysts' personal trading or other activities connected to their research work</b>	<p>The general regulation in part 10 in the Securities Trading etc Consolidated Act on abuse of inside information and price manipulation applies to financial analysts. Furthermore, the Danish Securities Dealers Association has issued recommendations to its members on the regulation of corporate finance and equity research.</p> <p>According to these recommendations:</p> <ul style="list-style-type: none"> <li>• Employees of the investment bank must not trade in a company's shares, derivatives, convertible bonds etc. if they have knowledge of an unpublished research report on the company, provided the unpublished report either initiates coverage of the company or contains revised recommendations, significantly revised estimates or significantly revised targets compared to previously published reports.</li> <li>• Employees of the investment bank and their associates should not trade for their own account stocks, derivatives, convertible bonds etc. in the analysed company on the day the report is published. If the report is published later than noon, the prohibition on trade is extended through the following trading day.</li> <li>• The investment bank should prepare guidelines for circumstances under which an analyst and their associates may trade in stocks or other securities covered by the analyst</li> <li>• As a cardinal rule, analysts and their associates must not trade contrary to the analysts' own recommendations without extraordinary, clearly defined reasons for doing so. As a minimum, Compliance should pre-approve such a transaction.</li> </ul>
<b>2. Regulatory or other restrictions on the structure or activities of research analysts' employers designed to prevent or manage conflicts of interest within the organisation</b>	<p>According to the Financial Business Act, regulated intermediaries are obliged to organise and structure their business in such a way as to minimise the risk of conflicts of interest among the clients of the securities dealer and between the clients and the securities dealer. Furthermore, the intermediary must have business procedures which ensure segregation of functions and establish Chinese walls. This regulation will also apply to research activities carried out by a regulated intermediary.</p> <p>The Danish Securities Dealers Association has issued recommendations to its members on the regulation of corporate finance and equity research.</p> <p>According to these recommendations:</p> <ul style="list-style-type: none"> <li>• Investment banks must have documented guidelines and procedures, with the goal of ensuring that confidential/inside information is available only to persons who have a legitimate need for it (the "Chinese Walls" rule). This must include clear rules about to whom confidential/inside information can be passed on, and under what circumstances, including rules on "wall crossing" plus physical and organisational separation between divisions. Investment banks must make sure their employees are consistently updated and possess the necessary insight and understanding of the procedures. Finally, the investment bank must consistently monitor employees to ensure that procedures are being followed.</li> </ul>

<b>3. Disclosures required in relation to a research report issued to clients/the public</b>	<p>The Danish Securities Dealers Association has issued recommendations to its members on the regulation of corporate finance and equity research.</p> <p>According to these recommendations:</p> <ul style="list-style-type: none"> <li>• It should be made clear in a report if the analyst or analyst's associates hold shares, derivatives, convertible bonds etc. in the company or companies covered by the report.</li> <li>• In an equity research report it should be clearly and unambiguously stated if the investment bank is involved in or – in the 12 months since the transaction's completion – has been involved in a significant publicly-disclosed corporate finance transaction for the company being analysed.</li> </ul>
<b>4. Disclosure or other requirements relating to the retention of research reports and supporting documentation by the research analyst's employer</b>	<p>None.</p>
<b>5. Specific measures regarding firms participating in an Initial Public Offering</b>	<p>The Danish Securities Dealers Association has issued recommendations to its members on the regulation of corporate finance and equity research.</p> <p>According to these recommendations:</p> <ul style="list-style-type: none"> <li>• An investment bank involved in an initial public offering or the raising of additional capital should not publish reports on the exchange-listed company in a period that commences not less than seven days before the publication of the prospectuses and continues until not less than 30 days after the allocation of shares has been completed.</li> </ul>
<b>6. Other required disclosures relating to research analysts' or their employers' conflicts of interest</b>	<p>None.</p>
<b>7. Requirements or prohibitions relating to determination of research analysts' remuneration</b>	<p>The Danish Securities Dealers Association has issued recommendations to its members on the regulation of corporate finance and equity research.</p> <p>According to these recommendations:</p> <ul style="list-style-type: none"> <li>• An analyst's bonus or other form of compensation should not be directly tied to specific corporate finance projects, but should reflect all aspects of the analyst's work.</li> </ul>
<b>8. Proposed new regulation relating to conflicts of interest prevention/management</b>	<p>When Denmark implements the Market Abuse Directive, a regime covering production and dissemination of analysis and conflicts of interests will be introduced. This regime will cover all natural or legal persons who recommend or suggest an investment strategy. Furthermore, an order on good practice will come into force in the end of 2003. This order will comprise regulation on conflicts of interests, disclosure on remuneration and inducements in regulated companies.</p>

<b>Estonia</b>	
<b>A: Production of analysis</b>	
<b>1. Authorisation/registration requirements for research analysts, (including any requirements relating to examinations or professional qualifications)</b>	None.
<b>2. Legislation governing content of a research report</b>	<p>Securities Market Act does not regulate the content of a research report.</p> <p>According to Tallinn Stock Exchange Membership Rules, any investment advice or research report published by a member of the Exchange must be accurate and truthful. A member must be able to explain the contents of any investment advice published by it and prove the opinions and statements contained therein.</p> <p>Investment advice provided by a member of the Exchange shall be reasoned, and at the request of the client, the member shall disclose to the client the information that served as a basis for such advice. A member must not provide any investment advice/recommendations that cannot be adequately reasoned.</p> <p>A member of the Exchange shall retain copies of any advertising materials and published investment advice for at least two years after the publishing of such material or advice.</p>
<b>3. Proposed new requirements relating to production of analysis</b>	None.
<b>B: Conflict of interest prevention/management</b>	
<b>1. Regulatory or other restrictions on research analysts' personal trading or other activities connected to their research work</b>	<p>According to Securities Market Act, analyses, summaries and other materials produced exclusively on the basis of disclosed information are deemed not to be inside information. For the purposes of the Act, inside information is undisclosed information pertaining directly to a security traded on the market or to the issuer of such a security and which, if disclosed, would probably have a significant effect on the price or value of the security.</p> <p>Tallinn Stock Exchange Membership Rules articles 9.2.4.-9.2.6. set restrictions on the research analyst's personal trading and on trading by companies making such research reports.</p> <p>Tallinn Stock Exchange Membership Rules articles 9.2.4.-9.2.6.:</p> <p>9.2.4. If a member of the Exchange is preparing investment advice about a security or its issuer, it is not allowed to make any transactions with the security either for its own account or for the account of the clients whose funds for investment the member is managing, until the publication of the investment advice and by observing the restrictions prescribed in article 9.2.6 of these requirements. The above prohibition is not applicable when:</p> <p>9.2.4.1. the member is preparing the relevant analysis for his/her own use and the results of the analysis are not intended for publishing;</p> <p>9.2.4.2. the member is executing a transaction order from a client;</p> <p>9.2.4.3. the member is the market maker with respect to the securities that are the object of the analysis and makes transactions in the usual scope in order to fulfill the obligations of a market maker as set out in the Rules of the Exchange.</p> <p>9.2.5. A member of the Exchange shall ensure that information about the contents of investment advice prepared to be disclosed to a client, clients or the general public is not disclosed to the employees and structural units of the member who/which must not have access to such information before the information is made available to the client.</p>

	<p>9.2.6. A member of the Exchange, its management board members and employees who prepared investment advice for clients of the general public or who are aware of its contents before it is made available to the recipient, must not, for their own account, make transactions in securities that were the object of the advice, subject to the following:</p> <p>9.2.6.1. within 24 hours after the receipt of the advice by the recipient, if the advice was given orally, by facsimile or e-mail;</p> <p>9.2.6.2. within three trading days if the advice was sent by post.</p>
<p><b>2. Regulatory or other restrictions on the structure or activities of research analysts' employers designed to prevent or manage conflicts of interest within the organisation</b></p>	<p>According to Securities Market Act § 82 (1) An investment firm shall establish policies and procedures or rules of procedure regulating the activities of managers and employees (hereinafter policies and procedures), the aim of which is to ensure that legislation regulating the activities of the investment firm is complied with and that decisions taken by the directing bodies thereof are duly observed. (2) The policies and procedure shall include:</p> <ol style="list-style-type: none"> <li>1) the procedure for prevention of conflicts between the interests of the investment firm and the personal economic interests of the managers and employees amongst other things;</li> <li>2) the procedure for the communication of information and movement of documents within the investment firm.</li> </ol> <p>The adequateness of the procedures is regularly controlled by the Estonian Financial Services Authority (EFSA) during on-site inspections of investment firms.</p>
<p><b>3. Disclosures required in relation to a research report issued to clients/the public</b></p>	<p>Currently no specific regulatory requirements.</p>
<p><b>4. Disclosure or other requirements relating to the retention of research reports and supporting documentation by the research analyst's employer</b></p>	<p>According to Tallinn Stock Exchange Membership Rules, a member of the Exchange shall retain copies of any advertising materials and published investment advice for at least two years after the publishing of such material or advice.</p>
<p><b>5. Specific measures regarding firms participating in an Initial Public Offering</b></p>	<p>No specific regulatory requirements.</p>
<p><b>6. Other required disclosures relating to research analysts' or their employers' conflicts of interest</b></p>	<p>According to the provisions of SMA Article 85, an investment firm is required among other things:</p> <ul style="list-style-type: none"> <li>• To take the reliable and regular operation of the securities market into consideration when pursuing its activities.</li> <li>• To refrain from conducting transactions in which the interests of the investment firm are in conflict with those of the client and, in the event a conflict of interests cannot be avoided, to act in the interests of the client.</li> </ul> <p>When providing investment services, to ensure that conflicts of interests between the investment firm and the client or between different clients of the investment firm are avoided or as small as possible.</p>
<p><b>7. Requirements or prohibitions relating to determination of research analysts' remuneration</b></p>	<p>None.</p>
<p><b>8. Proposed new regulation relating to conflicts of interest prevention/management</b></p>	<p>Yes, in a light of new European and other jurisdictions' regulations. It is too early to describe such rules due to very early stage of drafting. EFSA is preparing guidance that will implement standards on Stabilisation and Allotment issued by CESR in April 2002.</p> <p>EFSA is preparing guidance that will implement standards on the harmonisation of conduct of business rules issued by CESR in April 2002. Among other things, mentioned standards regulate conflicts of interest issues, marketing communications, information disclosure about investment firms, financial instruments and investment services.</p>

Finland	
<b>A: Production of analysis</b>	
<b>1. Authorisation/registration requirements for research analysts, (including any requirements relating to examinations or professional qualifications)</b>	<p>Research analysts and their activities are to some extent subject to legislation (the Securities Market Act, SMA), but the majority of regulation stems from the non-legally binding guidelines of the Financial Supervision Authority (FSA) and the Finnish Association of Securities Dealers (FASD, a self regulatory organisation).</p> <p>Analysts are not required to pass an official examination to practise the profession of research analyst in Finland. However, the Finnish Society of Financial Analysts (FSFA) co-operates with the Swedish School of Economics and Business Administration (in Helsinki) to arrange the CEFA (Certified EFFAS Financial Analyst) programme. FSFA requires that its members have either passed the CEFA exam or possess a higher university degree and have worked in financial market for one year.</p> <p>If candidates do not possess either a CEFA or a higher university degree, five year's working experience in financial services business is required. FSFA has also published ethical standards, with which all their members should comply. However, it should be noted that these qualifications are set only by FSFA and there are no official qualifications for analysts in Finland.</p>
<b>2. Legislation governing content of a research report</b>	<p>Content of a research report is not directly regulated in legislation, but the SMA states that securities shall not be marketed or acquired in business by giving false or misleading information or by using procedure that is contrary to good practice or otherwise improper. Moreover, the SMA states that an investment service intermediary is obliged to provide material information to its customers affecting the value of securities. Analysts should take into account these regulations in the preparation of a research report.</p> <p>As a general rule, the SMA requires that investment service intermediaries do not use procedure that is contrary to good practice. Guidelines of the FSA (not legally binding) define this more closely: an investment service intermediary shall provide its customers with sufficient and pertinent information to support investment decisions such as risks connected with the securities in question and their issuer.</p> <p>Additionally, the main objective of investment analysis should not be to make investors purchase or sell securities for the benefit of the investment service intermediary in question (or a closely related third party or a third party).</p> <p>The FASD has also given instructions regarding the information to be published in connection with investment research reports. Under these, research reports shall contain the name of the issuer (subject of the report) and the name of the analysts responsible for the production of the research. Reports should also state whether an analyst holds securities of the company (issuer) and whether the company responsible for the production of the research reports has conducted business transactions (eg issuance of shares, acquisition or another corporate transaction) ordered by the issuer. Information about the analyst's holdings shall be provided, without stating the name of the holder or the number of securities held.</p>
<b>3. Proposed new requirements relating to production of analysis</b>	No major new regulation proposed.

<b>B: Conflict of interest prevention/management</b>	
<p><b>1. Regulatory or other restrictions on research analysts' personal trading or other activities connected to their research work</b></p>	<p>In accordance with the SMA, securities transactions of persons belonging to insiders (eg analysts working for companies that are engaged in investment service duties) are public. These persons must file declarations of insider holdings in a public insider register.</p> <p>FSA guidelines restrict the trading of investment service intermediaries before the publication of recommendation to purchase (sell) an issuer or otherwise positive (negative) evaluation concerning an issuer or a specific industry. After the publication, investment service intermediaries should allow customers to react to the recommendation before trading on own account.</p> <p>Since an arranger of an issue and its personnel are constantly privy to insider information, the trading of an arranger of an issue (as well as its personnel and management) is also restricted by FSA guidelines. An arranger or its personnel and management may not trade, either directly or indirectly, for own account in the shares, where such shares are publicly traded or where the company is planning to list, at any time prior to the announcement of the main conditions of the issue in question.</p> <p>In addition, the management and personnel of an FASD member organisation are prohibited from conducting so-called short-term trading. In order to be deemed a short-term investment, the time between the acquisition and disposal and correspondingly between the disposal and acquisition is less than three months (the FASD is currently planning to shorten the minimum time to one month). Furthermore, the FASD instructions state that analysts are not allowed to trade in the securities of an issuer subject to a report during its preparation, nor on the date of publication or the day following the publication.</p> <p>If the report contains a new or revised investment recommendation, the analyst may not trade for his own account contrary to the recommendation to buy or sell within a time period determined in the (securities dealers') internal instructions. Each member organisation can determine the period, which shall be at least one week from the publication of the report.</p>
<p><b>2. Regulatory or other restrictions on the structure or activities of research analysts' employers designed to prevent or manage conflicts of interest within the organisation</b></p>	<p>There is no legally binding regulation on the structure of activities of analysts' employers. However, the FSA has published guidelines for investment service intermediaries in general. The purpose of the guidelines is to prevent the abuse of insider information and allow firms to engage in several business activities without giving rise to conflicts of interest between the firm and customers or between different customers.</p> <p>The FSA's minimum criteria for the segregation of business functions is that functions that involve processing of insider information (eg arrangement of equity issues) are separated from other securities business functions. Additionally, asset management and the firms' trading activities on own account should be separated from other securities business functions.</p>
<p><b>3. Disclosures required in relation to a research report issued to clients/the public</b></p>	<p>No specific regulations on research report disclosures.</p>
<p><b>4. Disclosure or other requirements relating to the retention of research reports and supporting documentation by the research analyst's employer</b></p>	<p>According to the FSA guidelines, information concerning investment reports should be processed and stored with due diligence. There are no other specific regulatory requirements in relation to the retention of research reports.</p>
<p><b>5. Specific measures regarding firms participating in an Initial Public Offering</b></p>	<p>The FSA guidelines state that the arranger of an IPO must treat investors equally. It must undertake to allow all investors in the issue target group an equal opportunity to participate in the issue. There are no specific guidelines as regards allocation to investing customers, but an arranger must nevertheless ensure that the prospectus contains sufficient information concerning the allocation of the issue between different investor groups, mostly between private and institutional investors.</p> <p>As far as analysts are concerned, investment service intermediaries should avoid situations where an investment analyst, who has performed tasks related to the issue arrangement, also prepares an investment analysis concerning the issuer, which is to be published in connection with the issue. Additionally, an investment service intermediary arranging an issue must ensure in particular that it does not provide such information about the issuer of the security which could be regarded as misleading or false.</p>



<b>6. Other required disclosures relating to research analysts' or their employers' conflicts of interest</b>	No specific legislation on this issue.
<b>7. Requirements or prohibitions relating to determination of research analysts' remuneration</b>	No specific legislation on this issue.
<b>8. Proposed new regulation relating to conflicts of interest prevention/management</b>	No major new regulation proposed.

France	
<b>A: Production of analysis</b>	
<b>1. Authorisation/registration requirements for research analysts, (including any requirements relating to examinations or professional qualifications)</b>	<p>General regulation of the Conseil des Marchés Financiers (CMF) (Art 2-4-1) makes it compulsory to hold a professional licence to perform the function of investment analyst. This license is granted by the investment services firm and declared to the CMF.</p> <p>In the same regulation, an investment analyst is defined as follows:</p> <p>“An investment analyst is a natural person tasked with producing investment research on issuers of financial instruments traded on a market or for which admission to trading is sought, with a view to formulating and disseminating an opinion on the foreseeable prospects for such issuers and, in consequence, the foreseeable changes in the market price of such instruments.”</p>
<b>2. Legislation governing content of a research report</b>	<p>Article 5 of Decision 2002-01:</p> <p>The authorised provider shall establish a procedure with respect to the warnings that must appear on research notes and that clearly draw attention to factors that may restrict the independence of the analyst.</p> <p>Such warnings shall indicate:</p> <ul style="list-style-type: none"> <li>• the notices resulting from the application of Article 3.5.12, paragraph 2, of the General Regulations, for at least 12 (twelve) months after the public announcement of the transaction in question,</li> <li>• the stable shareholdings, as specified below, that the authorised provider has in the followed undertaking, or that the followed undertaking has in the authorised provider.</li> </ul> <p>The stable shareholdings in question:</p> <ul style="list-style-type: none"> <li>• do not include trading securities, within the meaning of regulation 90-01 of 23 February 1990 of the Comité de la Réglementation Bancaire et Financière, as amended, relating to the accounting treatment of securities transactions,</li> <li>• are equal to or higher than the thresholds referred to in Article L 233-7, paragraph 1, of the Commercial Code,</li> <li>• are expressed in the form of a notice indicating the thresholds between which they lie.</li> </ul> <p>Article 6</p> <p>The warnings provided for in Article 5 shall refer to the fact, where it occurs, that the authorised provider and the issuing entity have entered into an agreement whereby the provider supplies a service involving the production and dissemination of investment research concerning said entity.</p> <p>Article 7</p> <p>Prior to publication, the analyst may communicate his research to the issuer or to his/her advisor, but s/he is in no way bound by their observations. The warnings provided for in Article 5 shall refer to such communication</p>
<b>3. Proposed new requirements relating to production of analysis</b>	None.

<b>B: Conflict of interest prevention/management</b>	
<p><b>1. Regulatory or other restrictions on research analysts' personal trading or other activities connected to their research work</b></p>	<p>Art 3-2-5 of the general regulation of the CMF:</p> <p>To protect its customers and staff and preserve the integrity of the market, an authorised provider may restrict the right of staff in sensitive positions to trade in financial instruments for their own account.</p> <p>Such restrictions may involve a total or partial ban on either a temporary or extended basis on the staff member placing orders in financial instruments for his own account.</p> <p>In all cases, an authorised provider shall prohibit its staff from placing orders in a financial instrument for their own account:</p> <ul style="list-style-type: none"> <li>• if they are traders and are liable, because of their functions, to trade in this instrument;</li> <li>• if they are investment analysts and are liable, because of their functions, to produce an analysis of the issuer of the financial instrument; the same prohibition applies to all instruments coming within the sector to which the issuer belongs and to which the analysis may pertain. The handbook referred to in item 2 of Article 3.1.3 defines the sectors concerned.</li> </ul>
<p><b>2. Regulatory or other restrictions on the structure or activities of research analysts' employers designed to prevent or manage conflicts of interest within the organisation</b></p>	<p>Article 4 of the decision 2002-01:</p> <p>The authorised provider shall implement procedures and resources in order to:</p> <ul style="list-style-type: none"> <li>• detect possible conflicts of interest involving investment research,</li> <li>• manage breaches of the "Chinese walls" referred to in Article 3.1.6 of the General Regulations.</li> </ul> <p>Pursuant to these procedures, the authorised provider shall stipulate that:</p> <p>1 - an analyst cannot exchange information with the co-workers referred to below about an envisaged or impending transaction without the consent of the investment research supervisor referred to in Article 2;</p> <ul style="list-style-type: none"> <li>- the persons in question are all those co-workers who, on behalf of the authorised provider and the other providers in the group to which the authorised provider belongs, are charged with the business of placing and underwriting or the business of providing advice to undertakings on capital structure, industrial strategy and related matters and services related to mergers and acquisitions of undertakings.</li> </ul> <p>2 - Where an analyst breaches "Chinese walls", he cannot resume his previous functions without the consent of the compliance officer and the investment research supervisor.</p>
<p><b>3. Disclosures required in relation to a research report issued to clients/the public</b></p>	<p>See B.4-5 below.</p>
<p><b>4. Disclosure or other requirements relating to the retention of research reports and supporting documentation by the research analyst's employer</b></p>	<p>Article 9 and 10 of the decision 2002-01</p> <p>Article 9</p> <p>Where an analyst who regularly follows an issuing entity ceases to communicate according to the regular schedule adopted for such entity, he shall explain the reasons therefor, unless decided otherwise by the investment research supervisor, using an informational medium identical to that used previously for his research.</p> <p>Article 10</p> <p>Unless decided otherwise by the investment research supervisor, an analyst who publishes for the first time research on an entity in the context of the initial listing of a financial instrument issued by such entity, shall not cease to publish the relevant research for a reasonable period after the initial listing.</p> <p>However, this obligation shall not apply where the obligation to publish arises from a contract with the issuing entity and where such entity chooses to terminate the contract.</p>

<b>5. Specific measures regarding firms participating in an Initial Public Offering</b>	<p>Article 3.5.12</p> <p>Pursuant to the conditions of the final paragraph of Article 3.1.9 and the third paragraph of Article 3.1.10, the compliance officer may permit the authorised provider's investment analysts to publish and disseminate research on the issuer, the bidder or the target company (as the case may be) before the transaction is publicly announced, where the provider is acting either as lead manager or member of an underwriting or selling group for a primary market issue, or as advisor or sponsor for a tender offer.</p> <p>After the transaction has been publicly announced, and in connection with that announcement, all publications concerning the companies concerned must identify the authorised provider's role in the transaction.</p>
<b>6. Other required disclosures relating to research analysts' or their employers' conflicts of interest</b>	<p>None.</p>
<b>7. Requirements or prohibitions relating to determination of research analysts' remuneration</b>	<p>Article 3 of the decision 2002-01:</p> <p>The analyst must receive no separate, special remuneration for a transaction in which he participates as part of the authorised provider's business in the fields of:</p> <ul style="list-style-type: none"> <li>• underwriting,</li> <li>• placing,</li> <li>• advice to undertakings on capital structure, industrial strategy and related matters and services related to mergers and acquisitions of undertakings</li> </ul>
<b>8. Proposed new regulation relating to conflicts of interest prevention/management</b>	<p>None.</p>

Germany	
<b>A: Production of analysis</b>	
<b>1. Authorisation/registration requirements for research analysts, (including any requirements relating to examinations or professional qualifications)</b>	<p>Securities analysis is regulated by law (section 34b Securities Trading Act = Wertpapierhandelsgesetz/WpHG).</p> <p>Section 34b WpHG does not subject analysts to authorisation or registration requirements, rather it addresses investment firms (or in some cases associated firms) employing analysts. Investment firms must be authorised to conduct investment services and must ensure that securities analysis is produced with the requisite degree of expertise, care and diligence.</p> <p>Producing and disseminating research reports is not an investment service. But if investment firms produce and disseminate securities analysis they are subject to section 34b WpHG.</p> <p>There are no legal requirements in Germany for analysts to pass an examination or to possess a concretely described professional qualification. However, the investment firm is obliged to maintain and use effectively the resources and procedures required for the proper conduct of their services. Therefore it is up to the investment firm to ensure that the analysts have a sufficient qualification. This is also examined by auditors and/or the BaFin.</p> <p>In Germany analyst associations offer examinations and tests (eg the DVFA – Deutsche Vereinigung für Finanzanalyse und Asset Management). These examinations and tests are not required and/or defined by law or regulation.</p>
<b>2. Legislation governing content of a research report</b>	<p>The BaFin defines securities analysis as information serving an investment decision, which includes</p> <ul style="list-style-type: none"> <li>• an analysis of securities within the meaning of section 2 (1) WpHG or of the issuers thereof, ie in particular an evaluation or assessment of company finance or market trading data, and</li> <li>• a recommendation of a security with regard to an investment decision (eg "buy"/"sell" or a stock exchange or market price target)</li> </ul> <p>unless such information is exclusively prepared for a specific investment advisory service which takes into consideration the individual circumstances of the client in question.</p> <p>There are no specific requirements for the content of a research report, the research methodology, ratings or recommendations.</p>
<b>3. Proposed new requirements relating to production of analysis</b>	<p>Further requirements on the production of analysis will be developed in line with the implementation of European law, in particular the Market Abuse Directive.</p>
<b>B: Conflict of interest prevention/management</b>	
<b>1. Regulatory or other restrictions on research analysts' personal trading or other activities connected to their research work</b>	<p>For employees of investment firms, including analysts, front running etc. is forbidden by law. Moreover the BaFin has established specific requirements for the personal trading of employees of investment firms. According to this announcement, employee trades of analysts must be monitored very closely. Normally an analyst should have his account with the bank employing the analyst. Otherwise, each transaction should be reported directly by the bank where the analyst's account is based, to the bank employing the analyst. Apart from this, it might be necessary for the investment firm to restrict or even forbid employee trades.</p>
<b>2. Regulatory or other restrictions on the structure or activities of research analysts' employers designed to prevent or manage conflicts of interest within the organisation</b>	<p>Investment firms are obliged – according to section 33 WpHG – to manage internally their conflicts of interest, including those concerning analysts (see also B.1 above). The investment firm is free to choose the appropriate measures (eg information barriers, restricted and watch lists, trading restrictions etc).</p>

<p><b>3. Disclosures required in relation to a research report issued to clients/the public</b></p>	<p>An investment firm is obliged to disclose possible conflicts of interest in the context of securities analysis according to section 34b WpHG, in particular if either the investment firm or a company associated with it</p> <ol style="list-style-type: none"> <li>1. holds a participation amounting to one per cent or more in the capital stock of the company whose securities are the subject of the analysis,</li> <li>2. was a member of a syndicate underwriting the most recent issue during the preceding five years of the company's securities which are the subject of the analysis, or</li> <li>3. manages the securities thus analysed on the stock exchange or in the market, on the basis of a contract concluded with the issuer.</li> </ol> <p>Furthermore, there is a duty of disclosure according to the BaFin-announcement concerning the interpretation of certain terms laid down in section 34b for the following cases:</p> <ol style="list-style-type: none"> <li>aa) The investment services enterprise holds – either solely or jointly with enterprises associated to it – a net sales position amounting to a minimum of 1 per cent of the share capital of a company, the securities of which are the subject-matter of the analysis.</li> <li>bb) The trading portfolio of the investment services enterprise or an enterprise associated with it contains shares of the company which is being analysed. It shall not be necessary to indicate the exact number of shares.</li> </ol> <p>Further possible conflicts of interest shall be referred to unless the investment services enterprise ensures the necessary confidentiality towards the department for securities analysis by means of organisational measures within the meaning of section 33 (1) WpHG (for example by “Chinese Walls”).</p>
<p><b>4. Disclosure or other requirements relating to the retention of research reports and supporting documentation by the research analyst's employer</b></p>	<p>There are no specific requirements. But the investment firm shall comply with the obligations laid down in section 34b WpHG, as well as in the BaFin-announcement concerning this section in a way that compliance therewith may be verified within the framework of an examination by auditors and/or the BaFin.</p>
<p><b>5. Specific measures regarding firms participating in an Initial Public Offering</b></p>	<p>The BaFin also enforces – as far as investment firms are concerned – the “Principles for the Allotment of Share Issues to Private Investors” issued by the Exchange Expert Commission at the Federal Ministry of Finance on 7 June 2000. There are no detailed rules on quiet periods or the participation of research analysts in marketing. But they might be part of the investment firm's policy of managing conflicts of interest.</p>
<p><b>6. Other required disclosures relating to research analysts' or their employers' conflicts of interest</b></p>	<p>See B.3 above.</p>
<p><b>7. Requirements or prohibitions relating to determination of research analysts' remuneration</b></p>	<p>Currently there are no concrete requirements or prohibitions regarding the basis on which research analysts' remuneration can be determined. But, generally speaking, investment firms must take into account possible conflicts of interest connected with the remuneration of their analysts.</p>
<p><b>8. Proposed new regulation relating to conflicts of interest prevention/management</b></p>	<p>Further requirements will be developed in line with the implementation of European law, especially the Market Abuse Directive.</p>

Greece	
<b>A: Production of analysis</b>	
<b>1. Authorisation/registration requirements for research analysts, (including any requirements relating to examinations or professional qualifications)</b>	<p>Research analysts are subject to authorisation from the Hellenic Capital Market Commission (HCMC).</p> <p>Regulation 4/213/28.3.2001 of the Board of Directors of the HCMC, on “Specification of qualifications and professional certification programme for employees on Investment Services Firms and Firms for the Reception and Transmission of Stock Exchange Orders”, refers to authorisation of research analysts. According to articles 1 and 2 of the regulation, Investment Services Firms (ISF) are obliged to employ certified research analysts in order to provide the corresponding services to their clients. Furthermore, article 8 of the above-mentioned regulation states that, at least one analyst of the Equity Research &amp; Analysis Department of any ISF must be certified from the HCMC, and the number of certified analysts any ISF employs should correspond to its size, needs and structure.</p> <p>Research analysts are required to pass a specific examination to gain authorisation from the HCMC. In accordance with article 4 of Regulation 4/213/28.3.2001, the HCMC organises the exams and awards to the successful candidates the certificate of research analyst.</p> <p>In order to take the test, prospective candidates must meet certain criteria set forth by Regulation 4/252/18.9.2002. Regulation 4/252/18.9.2002 requires that the candidates should have a bachelor’s degree in the areas of economics from a Greek or a foreign institution, relevant professional experience for at least three years, and knowledge of a language spoken in the European Union. Alternatively, the requirements are a bachelor’s degree in science from a Greek or a foreign institution, a postgraduate degree in the areas of economics, relevant professional experience for at least two years, and knowledge of a language spoken in the European Union.</p> <p>However, article 9 of Regulation 4/213/28.3.2001 provides an exemption from exams to research analysts who have been awarded the CFA level 3 designation. An exemption is provided also in Ministerial Decision 42430/B/1766 (Government Gazette 1615/5.12.2001) for individuals who, during the past five years before the publication date of the above mentioned decision, have had relevant experience for at least three years. Ministerial Decision 42430/B/1766 sets out that, in order to be exempted, these individuals should demonstrate their experience and also meet the academic criteria set in Regulation 4/252/18.9.2002.</p> <p>The topics to be examined at the professional certification program for research analysts are set in section A of the Ministerial Decision 42430/B/1766 (Government Gazette 1615/5.12.2001).</p> <p>Additionally, section B of the decision specifies that the exams will be organised by an examination committee, which was established in accordance with a decision of the Board of Directors of the HCMC, as specified also in section B, and whose president will be a member of the Board of Directors of the HCMC. The examination committee is solely responsible to provide the test to the candidates at a time and place of its decision, and consequently there is no choice of a different provider or a choice of tests for the candidates.</p>
<b>2. Legislation governing content of a research report</b>	<p>The content of a research report is not defined by law or regulation. However, the provisions of the code of conduct of Brokerage Firms and Investment Services Firms as well as of article 72 of Law 1969/1991 on "Portfolio Investment Companies, Mutual Funds, and other provisions aiming at the modernisation and improvement of the Capital Market Commission" apply in this case.</p> <p>In particular, article 72 of Law 1969/1991 specifies in paragraph 1 that, whoever publishes deliberately, in any way, false or misleading information which may affect share prices, can be imprisoned and is subject to fines of up to €293,470. In paragraph 2 of the same article, it is stated that the Hellenic Capital Market Commission may impose fines up to €1,467,351 on persons or legal entities who publish or disseminate inaccurate or misleading information concerning securities listed or to be listed (the Minister of Economics and the Minister of Justice may alter the amount after a proposal of the Board of the ASE and the Board of the HCMC).</p> <p>An English version of the code of conduct of Brokerage Firms and Investment Services Firms can be found at: <a href="http://www.hcmc.gr/english/pdf/%5Cinvestmentcompanies.pdf">http://www.hcmc.gr/english/pdf/%5Cinvestmentcompanies.pdf</a></p>

<p><b>3. Proposed new requirements relating to production of analysis</b></p>	<p>The professional certification programme began just a year ago, therefore, any new related issues that may emerge, will be considered accordingly by the Hellenic Capital Market Commission.</p> <p>In addition to this, following the entry into force of Directive 2003/6/EC of 28 January 2003 on insider dealing and market manipulation (market abuse), the Hellenic regulatory framework will transpose the provisions of this Directive and of the forthcoming implementing measures, particularly of article 6.5. on research analysts, in the following year.</p>
<p><b>B: Conflict of interest prevention/management</b></p>	
<p><b>1. Regulatory or other restrictions on research analysts' personal trading or other activities connected to their research work</b></p>	<p>At present, Hellenic legislation does not make explicit provision for a "research analyst" as such, and so does not impose any obligations specific to analysts.</p> <p>However, as any other legal or physical person, research analysts are bound by all laws and regulations concerning market abuse. In particular, articles 72 and 73 of Law 1969/1991 deal with the dissemination of false or inaccurate information and with the use of misleading or fraudulent means or methods regarding securities, with the aim of obtaining financial benefit. Furthermore, Presidential Decree 53/1994 on insider dealing is also relevant.</p> <p>In addition, if the analyst is also a provider of investment services within an Investment Service Company, the Code of Conduct of Brokerage Firms and Investment Services Companies is entirely applicable. This includes some specific provisions concerning the personnel of Investment Service Companies:</p> <ul style="list-style-type: none"> <li>• Art. 4.2. of the Code of Conduct of Investment Companies: "Companies shall take proper measures, such that ensure c) The employment of fit and proper personnel".</li> <li>• Art 4.3 of the Code of Conduct of Investment Companies: "Companies shall take all measures necessary to ensure that client assets under their custody or for trading shall not be used, the beneficiary client apart, for Companies own account, or third party account, and/or benefit. Indicatively, but not limited to, Companies shall ensure that: <ul style="list-style-type: none"> <li>d) Transactions or other activities, which Companies are or should be aware of, that aim at distorting the securities market, or are based on unlawful use of insider information, or jeopardise the credibility and integrity of the market, shall not be executed."</li> </ul> </li> <li>• Art 10.2 of the Code of Conduct of Investment Companies: "j) Companies shall ensure that persons cooperating with them for the provision of investment services meet relevant fit and proper requirements. Indicatively, for the reception of stock exchange orders, Companies shall cooperate only with persons meeting fit and proper requirements and being properly licensed."</li> </ul>
<p><b>2. Regulatory or other restrictions on the structure or activities of research analysts' employers designed to prevent or manage conflicts of interest within the organisation</b></p>	<p>See B.1 above. In particular, Principle 5 of the Code of Conduct states that Investment Services Companies and the natural and legal persons employed by them shall avoid conflicts of interest between themselves and their clients.</p>
<p><b>3. Disclosures required in relation to a research report issued to clients/the public</b></p>	<p>None.</p>
<p><b>4. Disclosure or other requirements relating to the retention of research reports and supporting documentation by the research analyst's employer</b></p>	<p>None.</p>



<b>5. Specific measures regarding firms participating in an Initial Public Offering</b>	<p>The Ministry of National Economy Decision of 4.12.1998 regulates the conditions and obligations of Initial Public Offerings. Article 4 of this Decision establishes a “quiet period” of three months during which the underwriter and his advisors cannot make, with some exceptions, any transaction concerning shares subject to the initial public offering, either within or outside the stock exchange. The provisions of this Decision concern the Underwriter and the Advisors: there is no specific provision concerning research analysts.</p>
<b>6. Other required disclosures relating to research analysts’ or their employers’ conflicts of interest</b>	<p>None.</p>
<b>7. Requirements or prohibitions relating to determination of research analysts’ remuneration</b>	<p>None.</p>
<b>8. Proposed new regulation relating to conflicts of interest prevention/management</b>	<p>Following the entry into force of Directive 2003/6/EC of 28 January 2003 on insider dealing and market manipulation (market abuse), the Hellenic regulatory framework will transpose the provisions of this directive and of the forthcoming implementing measures, particularly of article 6.5. on research analysts, in the following year.</p>

Hungary	
<b>A: Production of analysis</b>	
<p><b>1. Authorisation/registration requirements for research analysts, (including any requirements relating to examinations or professional qualifications)</b></p>	<p>Investment research and financial analysis or other forms of general guidance related to transactions in financial instruments are not regarded as an investment service or ancillary investment service according to Act CXX of 2001 (the Capital Market Act, CMA). The CMA recognises the category of <u>research analysts</u> but only deals with <u>investment advisers</u> in detail.</p> <p>The activity of <u>research analysts</u> is not subject to authorisation, however conflicts of interest of research analysts are examined during the HFSA's authorisation/registration procedures for investment service providers.</p> <p>The CMA (Article 113) contains the following rule about conflicts of interest of research analysts:</p> <p>'An executive employee, business representative and research analyst of an investment service provider and their close relatives</p> <ul style="list-style-type: none"> <li>• cannot hold any share, whether directly or indirectly, in another investment service provider;</li> <li>• cannot hold an executive office in an institution, that holds any share, whether directly or indirectly, in another investment service provider;</li> <li>• cannot hold any office in another investment service provider as an executive employee, business representative or investment analyst;</li> <li>• cannot hold any executive office in or be in the employment of, the issuer of listed securities, other than the securities issued by the investment service provider and listed on the stock exchange.'</li> </ul> <p>On this basis it can be concluded – although it is not definitively stated in the CMA – that research analysts are considered to be employees whose work is used internally within the investment service provider and research analysts do not normally provide analysis for clients.</p> <p><u>Investment advice</u> is regulated as an ancillary investment service activity in the CMA (Article 5, paragraph 1, subparagraph 16). 'Investment advice means an assessment of investment instruments and the capital market – including analysis – provided for consideration, to enable the client to make a decision to invest and risk his own money and/or other assets, or others', for the purpose of making a profit subject to developments in the capital market. Any disclosure of facts, data, circumstances, studies, reports, analyses, and advertisements to the public shall not be deemed as investment advice.'</p> <p>There is no obligation in the CMA for research analysts to take a test or pass an examination. Research analysts are allowed to practise at a high level without professional qualification, although there are different institutions that provide programmes for candidates.</p> <p>The CMA does however require investment advisers to pass an examination. These exams are not defined in law. The Hungarian Financial Supervisory Authority (HFSA) decides which examinations it will accept as an examination prescribed by law. There are different institutions which provide programmes for candidates, but they do not need to be licensed by the HFSA (eg International Training Centre for Bankers offers an investment analysis programme that is based on the syllabus and examination system of the European Federation for Financial Analysts Societies (EFFAS) and which grants an international degree accepted by EFFAS; the Central European Training Centre for Brokers offers training for investment advisers).</p>
<p><b>2. Legislation governing content of a research report</b></p>	<p>The content of research reports is not defined by law or regulation.</p>

3. <b>Proposed new requirements relating to production of analysis</b>	By implementing the new Investment Services Directive, certain provisions of the CMA will be amended.
<b>B: Conflict of interest prevention/management</b>	
1. <b>Regulatory or other restrictions on research analysts' personal trading or other activities connected to their research work</b>	See A.1 above. There are no specific restrictions regarding research analysts' personal trading or their other activities connected to their research work. General restrictions in the CMA also bind research analysts, such as the general rules for insider trading and market manipulation.
2. <b>Regulatory or other restrictions on the structure or activities of research analysts' employers designed to prevent or manage conflicts of interest within the organisation</b>	The CMA prohibits the employment of research analysts who do not satisfy the conflict of interest rules referred to in A.1 above. Furthermore, any person failing to satisfy these rules must immediately notify the competent authorities (HFSA) and regularise the position within 90 days.
3. <b>Disclosures required in relation to a research report issued to clients/the public</b>	None.
4. <b>Disclosure or other requirements relating to the retention of research reports and supporting documentation by the research analyst's employer</b>	No specific rules.
5. <b>Specific measures regarding firms participating in an Initial Public Offering</b>	No specific rules, however general rules for insider trading and market manipulation bind firms participating in an IPO (and their employees) as well as research analysts.
6. <b>Other required disclosures relating to research analysts' or their employers' conflicts of interest</b>	None.
7. <b>Requirements or prohibitions relating to determination of research analysts' remuneration</b>	None.
8. <b>Proposed new regulation relating to conflicts of interest prevention/management</b>	See A.5 above.

Iceland	
<b>A: Production of analysis</b>	
1. Authorisation/registration requirements for research analysts, (including any requirements relating to examinations or professional qualifications)	None.
2. Legislation governing content of a research report	None.
3. Proposed new requirements relating to production of analysis	The FME (Iceland's Financial Supervisory Authority) is in process of putting together a directive request regarding research/research analysts. This directive request is issued by FME and is not legally binding. It will deal with procedure and disclosure in research but not with analysts' qualifications. No other new regulations are expected.
<b>B: Conflict of interest prevention/management</b>	
1. Regulatory or other restrictions on research analysts' personal trading or other activities connected to their research work	There are no regulatory restrictions that address directly research analysts' personal trading or other activities connected to their research work. There is, however, article 41 in the Act of Securities Transactions no. 33/2003 that deals with market abuse in general. Almost all research in Iceland is done in special research departments of financial institutions. According to law, the financial institution is under obligation to establish rules for the company that deals among other things with insider information, personal trading by staff and other things connected to their work. These rules must be registered and approved by FME.
2. Regulatory or other restrictions on the structure or activities of research analysts' employers designed to prevent or manage conflicts of interest within the organisation	According to article 13 in the Act of Securities Transactions no. 33/2003, a financial institution is under obligation to make special rules regarding "Chinese walls" and prevention of conflicts of interest. These rules must be registered and approved by FME. Most research analysts in Iceland are working within a financial institution and fall under the abovementioned rules.
3. Disclosures required in relation to a research report issued to clients/the public	No special disclosures are required in relation to a research report according to Icelandic law (note B.8 below)
4. Disclosure or other requirements relating to the retention of research reports and supporting documentation by the research analyst's employer	None.
5. Specific measures regarding firms participating in an Initial Public Offering	Not by law, but some research firms have their own rules regarding these factors.
6. Other required disclosures relating to research analysts' or their employers' conflicts of interest	There are no such disclosure requirements according to Icelandic law (note B.8 below).

<b>7. Requirements or prohibitions relating to determination of research analysts' remuneration</b>	There are no such requirements according to Icelandic law (note B.8 below).
<b>8. Proposed new regulation relating to conflicts of interest prevention/management</b>	The FME is in process of putting together a directive request that concerns research/research analysts. This directive request is issued by FME but is not legally binding. It will deal with procedure and disclosure in research.

Italy	
<b>A: Production of analysis</b>	
<b>1. Authorisation/registration requirements for research analysts, (including any requirements relating to examinations or professional qualifications)</b>	<p>No authorisation or minimum qualification requirements.</p> <p>Some analyst associations require their members to pass an examination.</p> <p>CONSOB recommends disclosing in research reports the names of the authors of reports, together with their membership of any analyst associations.</p>
<b>2. Legislation governing content of a research report</b>	<p>The content of a research report is not defined by any law or regulations.</p> <p>CONSOB Regulation provides that research reports distributed by authorised intermediaries must contain a prominent warning that the person releasing them may have a specific interest in the issuer, the financial instruments or the transactions analysed and specify the reasons for and the extent of such interests.</p> <p>CONSOB recommends that research reports should specify the findings that have contributed to the recommendation, with an indication of the source of the data used, the occasion on which they were obtained and the date to which they refer. Reports should also indicate whether it is intended to provide continuous cover for the securities analysed and specify the planned frequency of updates. Changes in the policy announced with regard to coverage should also be made public.</p>
<b>3. Proposed new requirements relating to production of analysis</b>	<p>New legislation concerning production and dissemination of research reports is subject to discussion by the Italian Parliament. The main issues covered by the new law are:</p> <ul style="list-style-type: none"> <li>• the attribution to CONSOB of the regulatory power to establish the qualification level and the proficiency requirements for financial analysts;</li> <li>• the attribution to CONSOB of the regulatory power to define requirements about the contents of the research reports in order to ensure their fairness.</li> </ul>
<b>B: Conflict of interest prevention/management</b>	
<b>1. Regulatory or other restrictions on research analysts' personal trading or other activities connected to their research work</b>	<p>No specific rules for analysts. Market abuse law prohibits front running.</p>
<b>2. Regulatory or other restrictions on the structure or activities of research analysts' employers designed to prevent or manage conflicts of interest within the organisation</b>	<p>No specific rules. CONSOB recommends that firms who release research reports should adopt internal procedures designed to ensure the independence of financial analysts and that lay down adequate rules of conduct.</p> <p>Italian law includes a fair disclosure rule, forbidding issuers to adopt selective disclosure practices. Analysts cannot access unpublished information.</p>

<b>3. Disclosures required in relation to a research report issued to clients/the public</b>	<p>Research reports must be sent to CONSOB no later than the day they are disseminated and be filed within the same time limit with the market management company, which shall make them available to the public.</p> <p>Where research reports are addressed exclusively to the clients of the authorised intermediary, the dissemination to the public, through the market management company, can be delayed for 60 days from the start of their distribution.</p> <p>Where the following circumstances occur together before the time limit referred to in the preceding paragraph:</p> <ul style="list-style-type: none"> <li>• rumours about the content of a research report attributed to an authorised intermediary;</li> <li>• a sizable movement in the market price of the financial instruments that are the subject of the research report, compared with the reference price of the previous day and/or in the volume of trading in such instruments compared with the previous day,</li> </ul> <p>at the request of CONSOB, the intermediary shall issue a press release commenting on the truthfulness of the rumours and, where the research report or statistic has already been distributed to the clients, shall immediately disseminate it to the public.</p>
<b>4. Disclosure or other requirements relating to the retention of research reports and supporting documentation by the research analyst's employer</b>	<p>None. The obligation to disclose all reports (see B.3 above) can be facilitated by putting the reports on the intermediary's website, granting free access.</p>
<b>5. Specific measures regarding firms participating in an Initial Public Offering</b>	<p>None.</p>
<b>6. Other required disclosures relating to research analysts' or their employers' conflicts of interest</b>	<p>See A.4 above.</p> <p>The disclosure of conflicts of interest cover:</p> <ul style="list-style-type: none"> <li>• the existence of a direct or indirect controlling interest or major shareholding;</li> <li>• participation in governing bodies;</li> <li>• provision of corporate finance services (eg advisory services, participation in underwriting syndicates or for other corporate actions, specialist, sponsor) to the issuer;</li> <li>• existence of contractual obligations to release research reports (eg in connection with a role of sponsor);</li> <li>• issue of financial instruments linked to securities of the issuer.</li> </ul> <p>It will also be necessary to evaluate on a case-by-case basis any other situations that might affect the independence and impartiality of reports.</p>
<b>7. Requirements or prohibitions relating to determination of research analysts' remuneration</b>	<p>None.</p>
<b>8. Proposed new regulation relating to conflicts of interest prevention/management</b>	<p>The new legislation mentioned in A.3 above would, if enacted, allow CONSOB to regulate the internal structure of firms employing analysts and the activities of research analysts; and to establish the basis on which analysts' remuneration is determined.</p>

Lithuania	
<b>A: Production of analysis</b>	
1. Authorisation/registration requirements for research analysts, (including any requirements relating to examinations or professional qualifications)	<p>None.</p> <p>However, the Lithuanian Association of Financial Analysts (AFA) regulates most of the aspects of research analysts' activities through the rules laid down in the Standards of Professional Behaviour, Ethics Code and Articles of Association. These set the principles of professional behaviour, duties of disclosure for employers, clients, production of research and fair presentation of information therein, rules governing management of conflicts of interest, prohibitions of dissemination of potentially misleading information, members' liability for non-compliance with said standards, etc. Membership of this association is subject to relevant requirements (having relevant degree and working in investment area, being a Chartered Financial Analyst (CFA) or CFA candidate). Membership of this Association is voluntary.</p>
2. Legislation governing content of a research report	None.
3. Proposed new requirements relating to production of analysis	<p>In order to implement the Market Abuse Directive, amendments to the Law on Securities Market have been drafted, laying down the general duty for persons producing and disseminating research or other information recommending or suggesting investment strategy, intended for distribution channels or for the public, to ensure that such information is fairly presented. The Lithuanian Securities Commission will likely determine the details of what is considered as fairly presented, taking into account technical arrangements given in the implementing measures of the said Directive adopted by the European Commission.</p>
<b>B: Conflict of interest prevention/management</b>	
1. Regulatory or other restrictions on research analysts' personal trading or other activities connected to their research work	<p>There are no specific restrictions on personal trading by research analysts; however, their corresponding activities should be assessed with a view to current restrictions on insider trading and market manipulation.</p>
2. Regulatory or other restrictions on the structure or activities of research analysts' employers designed to prevent or manage conflicts of interest within the organisation	None.
3. Disclosures required in relation to a research report issued to clients/the public	None.
4. Disclosure or other requirements relating to the retention of research reports and supporting documentation by the research analyst's employer	None.
5. Specific measures regarding firms participating in an Initial Public Offering	None.



<b>6. Other required disclosures relating to research analysts' or their employers' conflicts of interest</b>	None.
<b>7. Requirements or prohibitions relating to determination of research analysts' remuneration</b>	None.
<b>8. Proposed new regulation relating to conflicts of interest prevention/management</b>	See A.3 above.

<b>Luxembourg</b>	
<b>A: Production of analysis</b>	
1. Authorisation/registration requirements for research analysts, (including any requirements relating to examinations or professional qualifications)	None. However, where research is generated by a professional of the financial sector, the regulatory framework, for example CSSF circular 2000/15 on Rules of Conduct in the financial sector, is applicable. This circular does not contain any specific rules on research analysis, but states in general that the investment professional must act in the interest of the client and avoid conflicts of interest.
2. Legislation governing content of a research report	None.
3. Proposed new requirements relating to production of analysis	None.
<b>B: Conflict of interest prevention/management</b>	
1. Regulatory or other restrictions on research analysts' personal trading or other activities connected to their research work	None, apart from general regulatory restrictions regarding, for example, insider trading.
2. Regulatory or other restrictions on the structure or activities of research analysts' employers designed to prevent or manage conflicts of interest within the organisation	None.
3. Disclosures required in relation to a research report issued to clients/the public	None.
4. Disclosure or other requirements relating to the retention of research reports and supporting documentation by the research analyst's employer	None.
5. Specific measures regarding firms participating in an Initial Public Offering	None.
6. Other required disclosures relating to research analysts' or their employers' conflicts of interest	None.

<b>7. Requirements or prohibitions relating to determination of research analysts' remuneration</b>	None.
<b>8. Proposed new regulation relating to conflicts of interest prevention/management</b>	None.

<b>Norway</b>	
<b>A: Production of analysis</b>	
<b>1. Authorisation/registration requirements for research analysts, (including any requirements relating to examinations or professional qualifications)</b>	<p>Research analysts and/or their activities are not subject to authorisation and/or registration requirements.</p> <p>Nevertheless, the Association of Norwegian Stockbroking Companies has an authorisation system for its members. Member companies are obliged to ensure that their employees hold relevant professional qualifications and otherwise meet the requirements regarding education and training that are or might be laid down by the Oslo Stock Exchange, the Norwegian Registry of Securities, the Norwegian Futures and Options Clearing House, the Banking, Insurance and Securities Commission and the Association.</p> <p>In order to ensure that the employees have satisfactory knowledge of the rules and regulations that apply to the business, including the Association's Ethical Norms and other regulations issued by the Association, the Association issues rules relating to the authorisation of employees in member companies.</p> <p>The Association's regulations regarding authorisation include rules governing the functions that shall be carried out by authorised employees and details as to how the authorisation can be obtained or forfeited.</p> <p>Authorisation is obtained by passing a test. One or more tests may be set, corresponding to the different functions and levels. The content of the test is decided by the Association, which is also responsible for arranging the test.</p> <p>Authorisation granted is forfeited if the employee has not been engaged in the functions for which authorisation is required for a period of more than 18 months.</p> <p>Norway does not require the passing of a test or examination, but most investment firms require that analysts complete a training course leading to the title "stock broker" and the Chartered European Financial Analyst (CEFA) exam.</p>
<b>2. Legislation governing content of a research report</b>	<p>The content of a research report is not defined in detail by law but the research is subject to rules on good business conduct according to the Securities Trading Act section 9-2. Pursuant to Section 9-2 of the Securities Trading Act, a stockbroking company shall do its utmost to promote the interests of the client and the integrity of the market by avoiding conflicts of interest.</p>
<b>3. Proposed new requirements relating to production of analysis</b>	<p>None.</p>

<b>B: Conflict of interest prevention/management</b>	
<p><b>1. Regulatory or other restrictions on research analysts' personal trading or other activities connected to their research work</b></p>	<p>The following rules apply pursuant to the Securities Trading Act section 2a-2:</p> <ul style="list-style-type: none"> <li>• Analysts may not issue financial instruments or trade them for own account. However, this does not apply to acquisition of options on shares or primary capital certificates in the employer undertaking when the options are issued by the undertaking. Other financial instruments, with the exception of units in securities funds, may be disposed of no earlier than 12 months after acquisition.</li> <li>• Analysts may not finance acquisitions of financial instruments with loans secured on their own financial instruments. Employees may not sell financial instruments which they do not own or borrow financial instruments.</li> <li>• Analysts may not purchase, sell or subscribe financial instruments when the employer undertaking has made a decision regarding purchase, sale or subscription of the instrument concerned, or when a customer order has been placed for the instrument concerned. This applies until the day after the trade is executed.</li> <li>• Analysts may not purchase financial instruments from the employer undertaking or sell financial instruments to the employer undertaking. This also applies in the case of securities funds for which the employer undertaking is the managing company. This prohibition does not apply to the acquisition of shares or primary capital certificates issued by the undertaking or to rights to such shares or primary capital certificates issued by the undertaking, or to acquisition of units in securities funds managed by the employer undertaking.</li> </ul> <p>All investments firms in Norway are members of Association of Norwegian Stockbroking Companies. This organisation adopted, in January 2003, a recommendation regarding "the relationship between corporate department and research/analysis department" (Recommendation No.1/2003). The recommendation is based on decisions made by Kredittilsynet (the Norwegian securities regulator) and the relevant CESR-standards. In case of breach of the rules laid down in this recommendation, the firm can be subject to sanctions from the organisation. Pursuant to the recommendation, the following rules apply regarding personal trading:</p> <ul style="list-style-type: none"> <li>• An analyst cannot own financial instruments in the companies he/she analyses.</li> <li>• Should an analyst have acquired financial instruments prior to these recommendations coming into force, the following regulations apply: <ul style="list-style-type: none"> <li>- Analysts shall not trade in a way that is contrary to their latest recommendation and cannot trade, even where any lock-in period has expired, before at least a week after the analyst's research has been published.</li> <li>- Analysts may execute subscription rights in share issues in companies in which the analyst is already a shareholder, but cannot purchase subscription rights.</li> </ul> </li> </ul>
<p><b>2. Regulatory or other restrictions on the structure or activities of research analysts' employers designed to prevent or manage conflicts of interest within the organisation</b></p>	<p>Pursuant to Section 9-1 of the Securities Trading Act, an investment undertaking (stockbroking company) shall organise its activities in such a way that the company is built up and organised so that the risk of any conflict of interests between the undertaking and its clients or between the undertaking's clients is kept to a minimum. Furthermore, the undertaking shall have internal instructions regarding the duty of confidentiality, including the exchange of information between different parts of the undertaking.</p> <p>When carrying out its activities a stockbroking company shall, pursuant to Section 9-2 of the Securities Trading Act, promote the interests of the client and the integrity of the market in the best possible manner by avoiding conflicts of interest, <i>inter alia</i> by ensuring that the client's interests rank above the undertaking's interests, and that the interests of certain clients are not unfairly favoured at the expense of other clients.</p> <p>It follows from these provisions that the corporate department shall be separated from the trading department and the research/analysis department. This implies that stockbroking companies must build information barriers – so-called "Chinese walls" – between the departments. Should an employee in a corporate department become privy to inside information, cf. Section 2-1 of the Securities Trading Act, in connection with an assignment, the person in question is under a duty of confidentiality vis-à-vis unauthorised parties. This follows from Section 2-2 of the Securities Trading Act, first paragraph. In relation to corporate assignments, employees of a stockbroking company other than those employed in the corporate department will normally be unauthorised parties. Stockbroking companies' employees that have inside information are nevertheless subject to the rules of prohibition as regards giving advice. This follows from Section 2-2 of the Securities Trading Act, second paragraph.</p>

	<p>According to recommendation No. 1/2003, analysts shall not be subjected to guidance, supervision or control from employees in the corporate department. Corporate department employees shall not review or approve analyses before they are published unless there are special grounds for so doing. Should the research/analysis department be of the opinion that there are very special reasons for the corporate department reviewing an analysis before publication, permission shall be obtained from the Compliance Officer or the stockbroking company's de facto manager.</p>
<p><b>3. Disclosures required in relation to a research report issued to clients/the public</b></p>	<p>According to recommendation No. 1/2003:</p> <ul style="list-style-type: none"> <li>• Disclosures made by the company in analyses in accordance with the regulations below shall preferably be given together, in a suitable place in the analysis. The first page of the analysis shall include a declaration that the analysis contains such information and an indication of where in the analysis such information is to be found.</li> <li>• In analyses that cover six or more companies or one or more trades/industries and in reports (monthly reports and the like), the analysis/report can contain the information required pursuant to the below-mentioned provisions, or a general statement can be made stating the stockbroking company may have a corporate assignment and/or that the company and its employees may own financial instruments in the companies referred to. If so, where this information is to be found shall be indicated. The information can be provided, for example, on the stockbroking company's web site or from the stockbroking company's staff on request by a client.</li> <li>• In analyses prepared by a stockbroking company, the company shall provide information on its portfolio of financial instruments in the company or companies that are analysed. Similarly, information shall be provided regarding the total portfolio of financial instruments that employees of the stockbroking company own in the relevant company/companies.</li> <li>• Should the analyst or one of his/her close associates directly or indirectly hold any of the financial instruments covered by the analysis, cf. the Securities Trading Act, Section 1-4, the total size of this holding shall be reported in the analysis.</li> <li>• The analysis shall provide confirmation in the event that the analyst has given the corporate department assistance in connection with a published corporate assignment that the stockbroking company has had from the company in the course of the 12-month prior to the publication of the analysis.</li> <li>• In the event that that the stockbroking company has been manager or co-manager for the issuer of a public or private placement or a secondary sale in the course of the 12-month period prior to the publication of the analysis, the analysis shall contain information on this. It is not necessary to provide such information if the stockbroking company's assignment was solely to act as a place of subscription (receive orders).</li> <li>• Furthermore, stockbroking companies shall advise of any other corporate assignments they might have had for the company the analysis refers to during the preceding 12-month period, unless the stockbroking company is prevented from providing such information due to the rules regulating the duty of confidentiality.</li> <li>• In analyses that are prepared as part of a concrete corporate assignment, the fact that the stockbroking company has a corporate assignment must be reported. Similarly, information shall be provided if the corporate department has had a corporate assignment for the company during the 12-month period immediately prior to the publication of the analysis, unless the stockbroking company is prevented from providing such information due to the rules regulating the duty of confidentiality.</li> </ul>
<p><b>4. Disclosure or other requirements relating to the retention of research reports and supporting documentation by the research analyst's employer</b></p>	<p>None.</p>

<p><b>5. Specific measures regarding firms participating in an Initial Public Offering</b></p>	<p>When carrying out its activities, a stockbroking company shall, pursuant to Section 9-2 of the Securities Trading Act, promote the interests of the client and the integrity of the market in the best possible manner by avoiding conflicts of interest.</p> <p>According to recommendation No. 1/2003, the following restrictions apply to manager(s), other members of the syndicate, and advisers regarding quiet periods:</p> <ul style="list-style-type: none"> <li>• In the case of public issues or secondary sales, analyses shall not be prepared later than 7 days before the prospectus is published and at the earliest 30 days after allocation has taken place.</li> <li>• In the case of stock exchange introductions, analyses shall not be prepared later than 7 days before the prospectus is published and at the earliest 30 days after the first day of listing.</li> <li>• In the case of public issues or secondary sales in connection to stock exchange introductions, the quiet period shall be considered from the latest point of time of either the allocation or the first day of listing.</li> <li>• In the case of mergers or demergers where one or more listed undertakings are among the parties, analyses shall not be prepared earlier than 30 days after the proposed conversion ratios are published.</li> <li>• In the case of private placements analyses shall not be prepared earlier than 30 days after allocation has taken place.</li> </ul>
<p><b>6. Other required disclosures relating to research analysts' or their employers' conflicts of interest</b></p>	<p>According to recommendation No. 1/2003:</p> <ul style="list-style-type: none"> <li>• Employees other than analysts may have a disclosure duty vis-à-vis clients about their own shareholdings in connection with sales efforts relating to issues/secondary sales and advisory services regarding buying or selling in the secondary market, if the employee in question owns shares in the company the advice refers to or the shares have a financial value for the employee in question that is of significance to him/her ("material interest").</li> <li>• Should the analyst or other employees in a stockbroking company comment on a company in the media, he/she should, to the extent practically possible, report on own positions in that company. Whether or not such information is reported by the media is not the responsibility of the analyst or any other employee.</li> </ul>
<p><b>7. Requirements or prohibitions relating to determination of research analysts' remuneration</b></p>	<p>According to recommendation No. 1/2003, analysts' bonuses or other remuneration shall not be directly linked to concrete corporate assignments.</p>
<p><b>8. Proposed new regulation relating to conflicts of interest prevention/management</b></p>	<p>Norway has established a working group that will follow up the implementation of the new directives and their implementing measures, covering these issues. The above mentioned recommendation No. 1/2003 has taken into account the EU directives and CESR standards that are already finalised.</p>

Portugal	
<b>A: Production of analysis</b>	
<b>1. Authorisation/registration requirements for research analysts, (including any requirements relating to examinations or professional qualifications)</b>	<p>Research analysts and/or their activities are not subject to authorisation and/or registration requirements in Portugal. Nor are they subject to any examination and/or requirements with regard to professional qualifications.</p> <p>However, there is a professional organisation (APAF), with whom affiliation is not mandatory, that monitors compliance from their affiliates with its Code of Conduct.</p>
<b>2. Legislation governing content of a research report</b>	<p>Portuguese law and/or regulations do not specifically define the content of the research report. However, it is important to note that:</p> <ul style="list-style-type: none"> <li>• The Securities Code establishes that information – whatever the means of disclosure and even if such information is provided as advice or a recommendation – relating, amongst other things, to securities and issuers, that can influence the decisions of investors, must be complete, truthful, up-to-date, clear, objective and lawful (article 7, paragraphs 1 and 2).</li> <li>• CMVM (the Securities Regulator) has issued a set of <i>Recommendations on Research Reports</i> (hereinafter referred to as <i>Recommendations</i>) that address this topic, with particular regard to research reports drawn up by persons employed by a financial intermediary. According to this document, the research report must permit interested parties to: <ul style="list-style-type: none"> <li>a) Identify and differentiate between perspectives and forecasts expressed by the analysed company and those expressed by the financial analyst;</li> <li>b) Identify the pretexts underlying the analysis and the methods of assessment used;</li> <li>c) Identify the date of commencement, conclusion and disclosure of the research report in question, and also all those responsible for drawing up the report;</li> <li>d) Identify, in general terms, the existence of relations, and potential financial gains arising from these, between the financial analyst, the financial intermediary or a company in which it has a controlling interest or with which it has a group relationship, and the company being analysed;</li> <li>e) Be informed of positions held, and duties carried out by, the financial intermediary or by an individual charged with producing the research report, in the administration or departments of the company being assessed.</li> </ul> </li> </ul> <p>It is also recommended that the research report include warnings directed at non-professional investors with respect to the risks posed by recommendations made in the report, and regarding the fact that the said recommendations, being dependent on the evolution of the company and subsequent alterations to the forecasts, projections and methods of analysis used, are therefore subject to change.</p>
<b>3. Proposed new requirements relating to production of analysis</b>	<p>CMVM is currently evaluating possible ways to address these issues. Insofar as the status of research analysts is concerned, the setting of a mandatory registration requirement either with CMVM or with a professional organisation is under consideration. With regard to the content of the report, the possibility of up-grading the <i>Recommendations</i> to mandatory regulation is also under assessment.</p>



<b>B: Conflict of interest prevention/management</b>	
<b>1. Regulatory or other restrictions on research analysts' personal trading or other activities connected to their research work</b>	<p>Besides the general rules on insider dealing and market manipulation, there are no regulatory or other restrictions on research analysts' personal trading or other activities connected to their research work.</p> <p>Nevertheless, the <i>Recommendations</i> recommend that:</p> <p>a) the financial intermediaries keep an updated register of transactions carried out by financial analysts;</p> <p>b) the financial analyst abstains from trading securities issued by the company being assessed as the date of completion and publication of the research report nears.</p>
<b>2. Regulatory or other restrictions on the structure or activities of research analysts' employers designed to prevent or manage conflicts of interest within the organisation</b>	<p>When the employers are financial intermediaries, the general rules and regulations to prevent and address conflicts of interests (such as Chinese walls) apply.</p> <p>The need for such measures is duplicated in the <i>Recommendations</i>, where it is recommended that financial intermediaries ensure that all those responsible for the production of research reports are capable of acting with the correct degree of independence, correctness and impartiality, particularly as regards business sectors which have direct links to the company being assessed, or which trade securities on behalf of third parties or for own account.</p>
<b>3. Disclosures required in relation to a research report issued to clients/the public</b>	<p>Again, this issue is addressed by the <i>Recommendations</i>, which state that when financial intermediaries publicly disclose recommendations to invest in securities of a given issuer:</p> <p>a) they should make the research report, which forms the basis for any such recommendations, available for consultation or at least indicate the location or electronic address where the report can be consulted;</p> <p>b) they should state whether or not the report was initially drawn up for a specific person, regardless of the identification of the same.</p>
<b>4. Disclosure or other requirements relating to the retention of research reports and supporting documentation by the research analyst's employer</b>	None.
<b>5. Specific measures regarding firms participating in an Initial Public Offering</b>	None.
<b>6. Other required disclosures relating to research analysts' or their employers' conflicts of interest</b>	None.
<b>7. Requirements or prohibitions relating to determination of research analysts' remuneration</b>	<p>There are no requirements or prohibitions on this issue. However, the <i>Recommendations</i> recommend that financial intermediaries keep payments made to the financial analyst separate from receipts generated by transactions carried out by the financial intermediary, either on behalf of a third party or for its own account, on securities issued by the company being assessed.</p>
<b>8. Proposed new regulation relating to conflicts of interest prevention/management</b>	<p>CMVM is considering the adoption of new rules regarding conflicts of interests facing research analysts and is considering whether disclosure rules would be sufficient or whether it is necessary to address these questions through prohibitions or limitations on trading in certain financial instruments or during certain periods.</p>

<b>Slovakia</b>	
<b>A: Production of analysis</b>	
<b>1. Authorisation/registration requirements for research analysts, (including any requirements relating to examinations or professional qualifications)</b>	<p>There are no regulations related to authorisation and registration of research analysts and their activities.</p> <p>However, some requirements are imposed on managers responsible for the reports and investment policies of management companies in the field of Collective Investments in Securities (CIS). They are defined by Act No 385/1999 on collective investment and regulation 25/2000 of the Ministry of Finance of 19 January 2000 on the value determination of securities in the assets of the CIS.</p> <p>There is also a requirement, according to Article 36 of Act No 385/1999, paragraph 2 on collective investment, for management companies to arrange for analysis and value determination of securities in the assets of the CIS.</p> <p>Managers responsible for reports and investment policies of management companies in the field of CIS and nominated as a senior employee reporting directly to the board of directors and being responsible for professional activities, shall be deemed professionally qualified if they are university graduates, have at least three years of professional capital markets experience and submit proof of a professional qualification on collective investment, as outlined in paragraph 9 of Act No 385/1999.</p> <p>According to Act No 385/1999, the Financial Market Authority (FMA), the unitary financial market supervisor in Slovakia, is responsible for the professional exam. The FMA has passed the duty for organising the exam to the local Association of Management Companies.</p>
<b>2. Legislation governing content of a research report</b>	None.
<b>3. Proposed new requirements relating to production of analysis</b>	None.
<b>B: Conflict of interest prevention/management</b>	
<b>1. Regulatory or other restrictions on research analysts' personal trading or other activities connected to their research work</b>	They are no specific regulatory or other restrictions on research analysts' personal trading or other activities. However, conflicts of interest issues are dealt with in Article 51 of Act No 385/1999 on CIS.
<b>2. Regulatory or other restrictions on the structure or activities of research analysts' employers designed to prevent or manage conflicts of interest within the organisation</b>	There are no such direct regulatory or other restrictions on the structure or activities of research analysts' employers. However, regulation 518/2002 of the Ministry of Finance on licensing in CIS contains a paragraph (paragraph 9) on the organisation and structure of management companies and also covers research analysts' activities.
<b>3. Disclosures required in relation to a research report issued to clients/the public</b>	None.
<b>4. Disclosure or other requirements relating to the retention of research reports and supporting documentation by the research analyst's employer</b>	None.

<b>5. Specific measures regarding firms participating in an Initial Public Offering</b>	None.
<b>6. Other required disclosures relating to research analysts' or their employers' conflicts of interest</b>	None.
<b>7. Requirements or prohibitions relating to determination of research analysts' remuneration</b>	None.
<b>8. Proposed new regulation relating to conflicts of interest prevention/management</b>	None.

Slovenia	
<b>A: Production of analysis</b>	
<b>1. Authorisation/registration requirements for research analysts, (including any requirements relating to examinations or professional qualifications)</b>	Research analysts (and their activities) are not subject to authorisation and/or registration requirements in Slovenia. Research analysts are not required to take a test or pass an examination as part of gaining initial authorisation or registration or to possess professional qualifications.
<b>2. Legislation governing content of a research report</b>	None.
<b>3. Proposed new requirements relating to production of analysis</b>	None.
<b>B: Conflict of interest prevention/management</b>	
<b>1. Regulatory or other restrictions on research analysts' personal trading or other activities connected to their research work</b>	<p>The following regulatory restrictions are relevant.</p> <p><i>The Securities Market Act</i></p> <p>Published in the Official Gazette of the Republic of Slovenia no. 56 on 13 July 1999</p> <p><i>Method of executing clients' orders on the organised market</i></p> <p><i>Article 147</i></p> <p>(1) A stockbroking company shall execute orders to buy and/or sell securities on the organised market by entering the appropriate offer or demand in the central information base of the stock exchange information system.</p> <p>(2) A stockbroking company shall be obliged to execute a client's order as soon as the conditions for the execution of the order are met. It shall be deemed that the conditions for the execution of the order are met when the stockbroking company accepts the order (the fourth paragraph of Article 143 herein) and the time period for refusal to accept the order expires (Article 145 herein).</p> <p>(3) A stockbroking company shall be obliged to execute the clients' orders to buy and/or sell securities on the organised market in the chronological order of acceptance of the relevant orders to buy and/or sell.</p> <p>(4) A stockbroking company shall not be allowed to buy and/or sell securities on the organised market for its own account or for the accounts of those employed with the stockbroking company if, as a result of this, it would not be able to execute a client's concurrent order to buy and/or sell, or if such an order could only be executed under conditions less favourable for the client.</p> <p>Front running is not allowed; where the supervisor uncovers front running, it may impose sanctions in accordance with the Securities Market Act.</p>
<b>2. Regulatory or other restrictions on the structure or activities of research analysts' employers designed to prevent or manage conflicts of interest within the organisation</b>	<p>There are regulatory restrictions on the structure or activities of research analysts' employers, designed to prevent or manage conflicts of interest within the organisation.</p> <p><i>The Securities Market Act</i></p> <p>Published in the Official Gazette of the Republic of Slovenia no. 56 on 13 July 1999</p> <p><i>Clash of interests</i></p> <p><i>Article 140</i></p> <p>(1) A stockbroking company shall be obliged to inform clients about any possible clash between the client's interests, the interests of the stockbroking company and/or the interests of other clients of the stockbroking company.</p> <p>(2) A stockbroking company shall be obliged to operate so as to minimise any possible clash between the clients' interests, the interests of the stockbroking company and the interests of those employed with the stockbroking company.</p>

<b>3. Disclosures required in relation to a research report issued to clients/the public</b>	None.
<b>4. Disclosure or other requirements relating to the retention of research reports and supporting documentation by the research analyst's employer</b>	<p><i>The Securities Market Act</i></p> <p>Published in the Official Gazette of the Republic of Slovenia no. 56 on 13 July 1999</p> <p><i>Stockbroking company's due care</i></p> <p><i>Article 136</i></p> <p>In providing services with regard to securities, a stockbroking company shall be obliged to act with all due care.</p> <p><i>Protection of clients' interests</i></p> <p><i>Article 139</i></p> <p>(1) In providing services with regard to securities, a stockbroking company shall be obliged to protect its clients' interests.</p> <p>(2) A stockbroking company shall be obliged to inform the client in an appropriate manner about all circumstances relevant to the client's decisions with regard to orders to buy or sell securities and/or other services provided, as well as the risks pertaining to investments in securities.</p> <p>(3) A stockbroking company shall be obliged to endeavour to acquire from clients appropriate data on their experience in the field of investments in securities, their financial capabilities and their purposes relating to investments in securities, which are relevant to the protection of the clients' interests with regard to the services provided to them.</p> <p>Initial public offerings of securities must be carried out in accordance with the Securities Market Act; the request of the issuer for public offers of securities, the Agency's license for public offerings, the prospectus, and all other requirements are set by the law.</p>
<b>5. Specific measures regarding firms participating in an Initial Public Offering</b>	See B.4 above.
<b>6. Other required disclosures relating to research analysts' or their employers' conflicts of interest</b>	See B.4 above.
<b>7. Requirements or prohibitions relating to determination of research analysts' remuneration</b>	See B.4 above.
<b>8. Proposed new regulation relating to conflicts of interest prevention/management</b>	Research analysis is one of the topics that is planned to be covered in the new Securities Market Act, in order to be compliant with EC Directives, among others the Market Abuse Directive.

Spain	
<b>A: Production of analysis</b>	
<b>1. Authorisation/registration requirements for research analysts, (including any requirements relating to examinations or professional qualifications)</b>	<p>In general, all references to analysts and their activities in Spanish legislation refer to the analysts that work for investment firms. Accordingly, and although there is not a specific authorisation to carry out investment research, the investment firms that financial analysts work for are explicitly obliged to meet not only the general code of conduct for all participants in the securities markets included in Part. VII of the Spanish Securities Act, but also the rules stated in the internal codes of conduct of the firms.</p> <p>Moreover, the Financial Law (Law 44/2002 of 22 November 2002) includes some specific regulations covering research (article 78 to article 83). These do not refer to the authorisation of analysts but to their code of conduct and the prevention of conflicts of interests.</p> <p>CNMV is responsible for overseeing the conduct of securities analysts, as it is responsible for supervising the conduct of all entities related to securities markets.</p> <p>Research analysts are not required to take a test before they are allowed to issue research. In general, firms that employ analysts require them to have a degree and a reasonable level of experience.</p> <p>Some professional associations (AIMR – the Association for Investment Management and Research, IEAF – the Spanish Institute of Financial Analysts) promote proficiency examinations in order to test analysts' knowledge and competence. However, there are not specific exams defined by law and Spain does not require analysts to pass an exam as part of gaining initial authorisation. Most Spanish analysts are usually obliged by their firms to pass a proficiency examination.</p>
<b>2. Legislation governing content of a research report</b>	<p>The content of a research report is not defined in any law or regulation, however the contents of the information provided should be adequately supported and the methods employed should be public and objective (Law 44/2002 Art.79 a. y d.). Although Spanish law does not impose any restriction on the methodology or on the quality of their reports, the reports should meet all the requirements of the General Code of Conduct and the internal codes of conduct of the firms.</p>
<b>3. Proposed new requirements relating to production of analysis</b>	<p>The regulatory developments of Law 44/2002 will cover other issues in the future. Law 44/2002 will be probably accompanied by more detailed obligatory rules prescribing a certain way of regulation.</p>
<b>B: Conflict of interest prevention/management</b>	
<b>1. Regulatory or other restrictions on research analysts' personal trading or other activities connected to their research work</b>	<p>Law 44/2002 (Art. 79 a.) includes a general obligation on investment firms to act with diligence and transparency.</p> <ul style="list-style-type: none"> <li>• Specifically, law 44/2002 (Art. 79. g.) contains a prohibition on dealing in the securities of the companies the analysts cover during the analysis period. The General Code of Conduct also prohibits analysts from trading in the securities of issuers covered by their research. Moreover, internal codes of conduct developed by the entities usually establish the necessary measures and procedures to enable the analysts to trade with the companies they cover.</li> <li>• Front Running would be included in Law 44/2002 (Art. 80) and in the General Code of Conduct where firms are obliged to act in the best interest of their clients, and firms are explicitly forbidden from selling their own securities before the orders of their clients.</li> </ul>
<b>2. Regulatory or other restrictions on the structure or activities of research analysts' employers designed to prevent or manage conflicts of interest within the organisation</b>	<p>Law 44/2002 (Art. 83) includes restrictions for investment firms designed to prevent or manage conflicts of interest within the organisation, covering at least:</p> <ul style="list-style-type: none"> <li>• Proprietary trading, trading on client's account and adequate separation of research in different areas.</li> <li>• Firms should establish information barriers between research in different areas and between these areas and the rest of the company.</li> <li>• There should be procedures in place designed to adopt independent decisions in each different area.</li> <li>• Investment firms should draw up and keep up-to-date a list of securities in which they have confidential information, as well as an insiders' list that will specifically state when a person had access to information for the first time.</li> </ul>

<b>3. Disclosures required in relation to a research report issued to clients/the public</b>	<p>According to Law 44/2002 (Art. 83.2), all entities issuing, publishing or disclosing analysis or recommendations should disclose all conflicts of interest in a clear and prominent part of the document. Such disclosure should include if the firm employing the analyst has any kind of financial interest in the issuers that the analyst covers (significant holdings etc).</p>
<b>4. Disclosure or other requirements relating to the retention of research reports and supporting documentation by the research analyst's employer</b>	<p>There are no requirements in the Spanish jurisdiction relating to the retention of research reports and supporting documentation by the research analyst's employer. However, law 44/2002 (Art. 81.4) requires firms to take reasonable care to avoid the undue circulation of confidential information.</p>
<b>5. Specific measures regarding firms participating in an Initial Public Offering</b>	<p>Law 44/2002 (Art. 83.bis) requires issuers, during the negotiations and due diligence phase of any financial or corporate transaction, to tackle and manage conflicts of interests the firms are facing:</p> <ul style="list-style-type: none"> <li>• They should limit the knowledge of inside information to the smallest number of people.</li> <li>• They should draw up an insiders' list of the people mentioned above that will specifically state when each of them had access to the information for the first time.</li> <li>• They should set up appropriate measures for the custody, record, access, reproduction and distribution of the information.</li> <li>• Issuers should monitor the evolution of their stock in the securities market and be aware of any news or public information that may influence trading of their stock.</li> <li>• In case of any unusual evolution of trading volumes or prices that may occur on account of an inappropriate disclosure of inside information, issuers are required to immediately disclose precise and clear information about the stage of a financial or corporate transaction.</li> </ul>
<b>6. Other required disclosures relating to research analysts' or their employers' conflicts of interest</b>	<p>None.</p>
<b>7. Requirements or prohibitions relating to determination of research analysts' remuneration</b>	<p>In Spanish law, there are no requirements regarding the basis on which research analysts' remuneration can be determined. Compensation arrangements for analysts are freely determined by the firms for whom they work. However, it is a common practice in the Spanish market not to link analysts' remuneration to another department's activity, such as investment banking.</p> <p>In general, compensation arrangements in Spain for securities analysts can be divided into a fixed component and a component linked to the financial results of the firm as a whole, the performance of the analyst and his/her contribution to the financial results of the firm (number and importance of companies under analysis etc).</p>
<b>8. Proposed new regulation relating to conflicts of interest prevention/management</b>	<p>The Ministry of Finance and CNMV, with specific authorisation, are entrusted by Law 44/2002 to develop this law, in order to cover new issues in these sections in the future.</p>

<b>Sweden</b>	
<b>A: Production of analysis</b>	
1. Authorisation/registration requirements for research analysts, (including any requirements relating to examinations or professional qualifications)	None.
2. Legislation governing content of a research report	None.
3. Proposed new requirements relating to production of analysis	None.
<b>B: Conflict of interest prevention/management</b>	
1. Regulatory or other restrictions on research analysts' personal trading or other activities connected to their research work	There are no restrictions aimed directly at analysts. If analysts are employed by a regulated firm, they are subject to the general rules for personal trading in securities firms.
2. Regulatory or other restrictions on the structure or activities of research analysts' employers designed to prevent or manage conflicts of interest within the organisation	There are general rules on the organisation of securities firms, aimed at preventing conflicts of interest (eg Chinese walls). There are, however, none aimed directly at analysts.
3. Disclosures required in relation to a research report issued to clients/the public	No specific rules.
4. Disclosure or other requirements relating to the retention of research reports and supporting documentation by the research analyst's employer	None.
5. Specific measures regarding firms participating in an Initial Public Offering	No specific rules (but general rules on trading, exchange rules etc apply).
6. Other required disclosures relating to research analysts' or their employers' conflicts of interest	None.



<b>7. Requirements or prohibitions relating to determination of research analysts' remuneration</b>	None.
<b>8. Proposed new regulation relating to conflicts of interest prevention/management</b>	None other than implementation of the Market Abuse Directive.

United Kingdom	
<b>A: Production of analysis</b>	
<b>1. Authorisation/registration requirements for research analysts, (including any requirements relating to examinations or professional qualifications)</b>	Research analysts and the function of producing research are not authorised in the UK. However, many research analysts perform functions in addition to research, which are controlled (for example, providing advice), and would thus fall under normal authorisation and registration requirements for those additional activities.
<b>2. Legislation governing content of a research report</b>	Currently none.
<b>3. Proposed new requirements relating to production of analysis</b>	<p>In recent consultation paper on investment research and conflicts of interest (CP 171), FSA has proposed that research reports should include a number of prominent disclosures, with adequate sign-posting up-front to their existence. Specifically, FSA proposing that research reports should:</p> <ul style="list-style-type: none"> <li>• include a clear and unambiguous explanation of any ratings or recommendations, and indicate clearly the period of time they are intended to cover;</li> <li>• show the spread of the firm's ratings or recommendations globally and by relevant sector, together with percentages for the firm's corporate clients;</li> <li>• include a three-year historical chart showing price movements against recommendations, including points when ratings or price targets changed, to show the firm's track record on the security concerned;</li> </ul> <p>To help investors understand the significance of a research report, FSA also propose that it should:</p> <ul style="list-style-type: none"> <li>• indicate clearly the clients for whom it is principally intended;</li> <li>• distinguish fact from opinion or estimates, and reference sources of data used;</li> <li>• give the date when the report was first released; and</li> <li>• notify, where appropriate, that the firm is ceasing coverage of a company, together with its final recommendation or rating.</li> </ul>
<b>B: Conflict of interest prevention/management</b>	
<b>1. Regulatory or other restrictions on research analysts' personal trading or other activities connected to their research work</b>	Personal Account Dealing rules are designed to ensure that a firm's customers are not disadvantaged by the personal dealings of the firm's employees. Firms therefore need to ensure that appropriate controls and monitoring arrangements are implemented and maintained.
<b>2. Regulatory or other restrictions on the structure or activities of research analysts' employers designed to prevent or manage conflicts of interest within the organisation</b>	<p>Analyst research activity is regulated mainly by virtue of the fact that, analysts are employed within companies governed by the laws, rules and regulations covering all financial services organisations in the UK. The relevant parts of the FSA Handbook include the Principles for Businesses (Principles), the Conduct of Business Sourcebook (COB), the Code of Market Conduct within the Market Conduct Sourcebook (MAR) and the Listing Rules of the UK Listing Authority (UKLA). Criminal provisions relating to insider dealing are set out in the Criminal Justice Act 1993 (CJA).</p> <p><i>The Principles for business:</i></p> <p>The Principles are the highest level of regulation, and in the context of analysts and research, address two main themes:</p> <ul style="list-style-type: none"> <li>• 'fairness': the fair presentation of information and fair treatment of customers, including conflict management; and</li> <li>• 'competent management of a firm's business activities'.</li> </ul>

The relevant Principles are:

- Principle 1 – Integrity – A firm must conduct its business with integrity.
- Principle 2 – Skill, Care and Diligence – A firm must conduct its business with due skill, care and diligence.
- Principle 3 – Management and Control – A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.
- Principle 6 – Customers' Interests – A firm must pay due regard to the interests of its customers and treat them fairly.
- Principle 7 – Communication with Clients – A firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.
- Principle 8 – Conflicts of Interest – A firm must manage conflicts of interests fairly, both between itself and its customers and between a customer and another client.
- Principle 9 – Customers: Relationships of Trust – A firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgement.

Thus, the firm for which analysts work has responsibilities to ensure that anything published under the firm's name is fair, clear and not misleading. In addition, the rules relating to conflicts of interest (COB 7.1) aim to ensure that when a firm has a conflict of interest between itself and its customer, or between one customer and another customer, the firm pays due regard to the interests of each customer and manages the conflict of interest fairly.

More specific handbook provisions underpin these Principles as follows:

*Chinese walls:*

FSA provisions include the recognition of Chinese Walls (COB 2.4) to restrict the movement of information around a firm and thus act as a tool for managing conflicts of interest.

*Dealing ahead:*

The Conduct of Business (COB Dealing Ahead rules (COB 7.3) apply to a firm when it or any of its associates intends to publish a written recommendation, or a piece of research or analysis, to customers that relates to a designated investment.

The dealing ahead rules are aimed at ensuring that a firm does not use knowledge of the content, and timing of publication, of a research report to inform its proprietary dealing and thereby to prefer its own interests above those of its clients. This applies to either an associate of the firm or the firm itself. The rules therefore prohibit a firm from "knowingly dealing" ahead of the research publication. The firm may, of course, be able to rely on Chinese Walls to ensure that those dealing do not have knowledge of the impending research publication.

*Financial promotions:*

The Principles underpinning the provisions on financial promotion and the regulated activity of advising on investments are Principle 6 (Customers' interests) Principle 7 (Communication with clients) and Principle 9 (Customers: relationships and trust).

If the research material contains a financial promotion (typically because it contains buy/sell recommendations), the promotion would have to comply with the provisions in COB 3 – Financial Promotion. This is unless it is exempt – for example, because it is made only to investment professionals or journalists. The Financial Services Markets Act (FSMA) states that a financial promotion is an invitation or inducement to engage in investment activity. COB Ch 3 applies to every firm (other than an ICVC) which communicates or approves a financial promotion unless the firm can take advantage of the exemptions listed in COB 3 or the Financial Promotion Order.

	<p><i>Advising:</i></p> <p>Principle 9 (Customers: relationships of trust) is important here. The ‘know your customer’ (COB 5.2) and ‘suitability’ (COB 5.3) provisions apply to a number of circumstances, including when a firm makes a personal recommendation to a private customer. The purpose of these rules is to ensure that the firm obtains sufficient information (both personal and financial) about its private customers to enable it to meet its responsibility to give suitable advice.</p> <p><i>Conflicts of interest:</i></p> <p>The Principles of importance are Principle 3 (Management and control) and Principle 8 (Conflicts of interest) and, as stated above, COB 7.1 (Conflict of interest and material interest). In the context of analysts’ conflicts, investment firms must manage any conflicts of interest arising within the firm. One of the methods by which a firm may manage a conflict of interest is to establish and maintain internal arrangements restricting the movement of information within the firm, in other words a Chinese wall (COBS 2.4). The rule specifies three additional methods of managing a conflict: (a) disclosing an interest to a customer; (b) the reliance on a policy of independence; and (c) declining to act for a customer.</p> <p><i>Other relevant regulatory tools:</i></p> <p>In addition to those laws, rules and regulations mentioned above, the UK has a statutory code of good conduct called the Code of Market Conduct (COMC) which provides guidance to determine whether a practice constitutes market abuse. In the context of analysts and research, the code gives guidance on the misuse of information that is not generally available to the rest of the market. It also gives guidance on behaviour which could give rise to a false or misleading impression.</p> <p>The Criminal Justice Act (CJA) makes offences of dealing, encouragement of dealing and disclosing inside information, when the individual concerned has information as an insider. Analysts might fall within these provisions if, during the course of their research, they are given inside information and act on it. Generally speaking, their research is not in itself inside information, because it derives from information that has been made public.</p> <p>The UK Listing Authority (UKLA) Listing Rules are pertinent to research also, in that they cover the dissemination of price sensitive information (PSI). Guidance on this is given in the PSI Guide, appended to the Listing Rules.</p>
<p><b>3. Disclosures required in relation to a research report issued to clients/the public</b></p>	<p>Currently, information about the firm is required to be given only with written communications to <u>private clients</u>. The details required are found in COB 5.5. They pertain mainly to administrative details about the firm (and its agent if relevant), such as its identity and business address, status, the name of the firm’s marketing group (if any), the name and status or relationship with the firm, of the individual from whom the communication originates, etc.</p> <p>Research reports, however, are generally aimed at professional clients, and firms usually make a declaration to this effect.</p>
<p><b>4. Disclosure or other requirements relating to the retention of research reports and supporting documentation by the research analyst’s employer</b></p>	<p>None</p>
<p><b>5. Specific measures regarding firms participating in an Initial Public Offering</b></p>	<p>There are no rules relating specifically to IPOs, but the principles and rules relating to conflicts of interest also apply to issues of securities. The relevant Principles require a firm:</p> <ul style="list-style-type: none"> <li>• to conduct its business with integrity;</li> <li>• to conduct its business with due skill, care and diligence;</li> <li>• to observe proper standards of market conduct;</li> <li>• to pay due regard to the interests of its customers and to treat them fairly; and</li> <li>• to manage conflicts of interest fairly, both between itself and its customers and between customers.</li> </ul> <p>In addition, COB rule 2.2 (Inducements and soft commission) prohibits inducements where they are likely to conflict with duties owed to a firm’s customers.</p>

<p><b>6. Other required disclosures relating to research analysts' or their employers' conflicts of interest</b></p>	<p>As already mentioned, COB 7.1 is the main rule governing the management of conflicts of interests in all situations within a firm.</p>
<p><b>7. Requirements or prohibitions relating to determination of research analysts' remuneration</b></p>	<p>Currently none</p>
<p><b>8. Proposed new regulation relating to conflicts of interest prevention/management</b></p>	<p>Consultation Paper 171 sets out a number of proposals for additional rules and guidance to cover these issues in the future. Decisions as to which of these proposals, if any, should be implemented, have not yet been made.</p> <p>However, the proposals are as follows:</p> <p><i>Introduction</i></p> <p>The principles-based approach continues to be the preferred method of regulation in the UK. However, FSA proposes issuing guidance on the Principles, and to amend some COB rules, to set clearer standards for the management and control of conflicts of interest within authorised firms that affect the production of investment research and issuance of securities.</p> <p><i>Internal Management Arrangements:</i></p> <p>It is the responsibility of each firm's senior management to put in place appropriate systems and controls to ensure that their analysts are as free as possible from conflicts of interest that could improperly influence the content of their work and impair their ability to produce objective research.</p> <p>A firm should have systems and controls in place to ensure that its own interests do not improperly influence the content of its research reports. Reporting lines and accountability structures should insulate the work of its research analysts against influence from other divisions of the firm that would have this effect. These should as a minimum ensure that decisions on what stocks are covered, what is written and when it is published are not subject to management control by the investment banking or equity sales and trading divisions of the firm. It would be unacceptable, for example, for staff in investment banking or equity sales and trading to vet or approve research reports before publication.</p> <p><i>Involvement in other business activities:</i></p> <p>Analysts may have knowledge and expertise that would be useful both to other divisions of the firm and to its investment clients. So, it would be acceptable for the firm to draw on these skills to research investment banking opportunities, or to provide ideas to the sales and trading arm, or to provide information and advice to the firm's investment clients. But in doing so, firms should recognise that they will be taking their analysts "over the wall", and that this should be tightly controlled.</p> <p>On the other hand, FSA proposed that analysts should not be used in a marketing capacity, since this would clearly call their objectivity into question. So, FSA proposed that it would be unacceptable for analysts to be involved either in pitches for new investment banking mandates, or in the active marketing of new issues – whether by issuing research recommendations or by involvement in advice or sales to clients.</p> <p><i>Analysts' compensation and reward structures:</i></p> <p>FSA believes that firms should avoid reward structures that create direct incentives for analysts to act in ways that would compromise their judgement. So, FSA suggested that it would be acceptable to relate an analyst's pay and benefits to the general profits of the firm, subject to generally agreed measures of performance. But it would be unacceptable to base it on the analyst's contribution to profits on specific investment banking deals; or for it to be determined by managers in investment banking or equity sales and trading.</p>

*Subject company pressure:*

FSA proposed that a firm's systems and controls should be designed to ensure that neither it, nor any of its officers or analysts, could offer or accept any inducement to produce favourable research in order to retain or secure any business or information from a subject company.

FSA said that it would be improper for a company to seek to influence the analyst's judgement by making access to company information conditional on the production of favourable reports or recommendations. It would not be appropriate to prohibit a firm from sending a research report to a company before publication but the firm should not cede effective editorial control of the research report to the company. It should not therefore include its proposed recommendation or price target with the report. FSA would not expect a firm to change its proposed recommendation, or the timing of publication, after receiving comments from the company, unless this was justified by material changes to the factual content of the report. In such cases, the firm should keep a proper record of the decision and the reasons for it.

If a firm cannot resolve differences of opinion with the subject company, it may decide that the only realistic option for it is to cease coverage of that company's securities. This will be of interest to investors and FSA believes that this decision should be disclosed. It is of course open to the firm to make its reasons public.

*Quiet periods around securities offerings:*

FSA have proposed the introduction of a quiet period for primary issues during which no research would be published on that company either by the lead or co-manager of the issue, or by any member of an underwriting syndicate. FSA suggested that this period should run from the time the prospectus is published until 30 days after the securities have been admitted to trading.

For secondary issues, FSA proposed no formal quiet period or prohibition on publication but said the firm should ensure that during this period of time it could justify the publication of any research material on the company in question. The firm would also need to show that the material did not contain information that was designed to condition the market in favour of the issue. In particular, firms would need to be careful to ensure that it did not include information of a type that should properly be included in the prospectus, or recommendations or valuations designed to influence the price, or demand for, the security in question.

*Analysts own dealings and holdings:*

FSA proposed that firms should prohibit analysts from dealing both in the securities of the companies they cover and of other companies in the same sector, including exposures through derivative positions in order to remove the potential for conflicts to occur.

FSA also suggested that firms should ensure that its controls on analysts' own dealings were not circumvented by analysts disclosing their research recommendations before publication to other parties in order to encourage them to deal, whether on their own account or on behalf of the analyst concerned. FSA stated that firms should ensure that research recommendations, which it intends to publish, are made public only through its normal channels.

*Specific disclosures:*

FSA proposed that disclosure should be part of its regulatory response, but that they must not be thought to absolve a firm from its duty to manage its conflicts of interest effectively and fairly in the interests of its clients. Disclosure should be aimed at improving investors' understanding both of the research itself and of the conflicts of interest which may lie behind its production.

The proposed disclosures are aimed at clarifying the significance of the ratings used in research reports, the relationship between the firm and the subject company and the track record and personal interests of the analyst. These disclosures should be prominent, not hidden in small print, and with adequate sign-posting up front to their existence. Specifically, FSA propose that research reports should:

- include a clear and unambiguous explanation of any ratings or recommendations, and indicate clearly the period of time they are intended to cover;

- show the spread of the firm's ratings or recommendations globally and by relevant sector, together with percentages for the firm's corporate clients;
- state whether the firm had any investment banking mandates, or managed any issues of securities, for the subject company during the previous 12 months, or expected to have any such business during the next six months;
- state whether the firm makes a market in the company's shares, or whether it acts as corporate broker;
- include a three-year historical chart showing price movements against recommendations, including points when ratings or price targets changed, to show the firm's track record on the security concerned; and
- state whether the analyst, or any associate, has a financial interest in the securities of the company covered – including any economic exposure. (This would not, of course, be necessary if analysts were prohibited from dealing in the securities they cover, as proposed above.)

*Disclosure of shareholdings:*

FSA suggested a 1% threshold for disclosure of material shareholdings.

*Other holdings and positions:*

FSA suggested that holdings other than equities should be considered material, for example debt instruments, positions in derivatives or short positions in those securities, and should be disclosed. FSA also took the view that investors should be made aware if the firm is a significant lender to the company concerned.

FSA proposed that disclosure should focus on the actual potential for conflict and that it would be primarily for senior management to determine when this arises, as the significance of positions may vary from company to company. FSA stated that disclosures need to be meaningful, thus a statement that a firm may have a holding or position would not be sufficient. FSA has not, as yet made specific proposals on whether disclosures should give actual positions, or positions above a certain threshold and this has formed part of its consultation.

*Other information:*

To help investors understand the significance of a research report, FSA also proposes that it should:

- indicate clearly the clients for whom it is principally intended;
- distinguish fact from opinion or estimates, and reference sources of data used;
- give the date when the report was first released; and
- notify, where appropriate, that the firm is ceasing coverage of a company, together with its final recommendation or rating.

*Dealing ahead of published research:*

FSA's proposals are intended to clarify the intended purpose of the existing dealing ahead rules and to reduce the scope for abuse. FSA proposed deleting those exemptions from the rules that permit a firm to deal ahead if it believes that the research report will not materially move the price of the security concerned; if it is merely anticipating expected customer demand; or if it has disclosed in the research report that it has or may have dealt. Thus exemptions would be limited to circumstances in which a firm:

- deals in good faith in the course of "normal" market-making activity; or
- executes unsolicited customer orders, whether as principal or agent.

CP171 also covers *allocations of securities issues*, but these are outside the scope of the Forum Group's report.

See <http://www.fsa.gov.uk/pubs/cp/cp171.pdf> for full details of the FSA's proposals.