

## **INDUSTRY STANDARD NO. 3**

### **The relationship between the corporate finance department and research departments**

### **Handling of conflicts of interest and content requirements for research**

The standard was adopted by the Executive Committee of the Norwegian Securities Dealers Association on 6 September 2005 and entered into force on 12 September 2005. The standard has been revised on 4 December 2007, 28 June 2016, 1 February 2017, 12 June 2018, 10 June 2020, 1 December 2020 and 26. April 2022.

<b>1</b>	<b>Introduction.....</b>	<b>3</b>
1.1	Objective .....	3
1.2	Sources of law .....	3
<b>2</b>	<b>Definitions.....</b>	<b>4</b>
2.1	Investment research.....	4
2.2	Marketing communications.....	4
2.3	Corporate finance department .....	5
2.4	Corporate finance assignments .....	5
2.5	Compliance department .....	5
<b>3</b>	<b>The background to this standard .....</b>	<b>5</b>
<b>4</b>	<b>The starting point .....</b>	<b>6</b>
4.1	Organisational requirements .....	6
4.2	The preparation of research and associated content requirements .....	8
<b>5</b>	<b>Internal organisation requirements for investment firms.....</b>	<b>9</b>
5.1	Separate provisions for underwriting and placements .....	9
5.2	Internal duty of confidentiality regarding corporate finance assignments .....	10
5.3	List of assignments (“observation list”).....	10
<b>6</b>	<b>Analyst assistance in corporate finance assignments.....</b>	<b>10</b>
6.1	General assistance .....	11
6.2	Participation in marketing activities.....	11
6.3	Participation in corporate finance assignments (“Wall Crossing”).....	11
<b>7</b>	<b>Rules governing analysts' and associated persons' own-trading .....</b>	<b>12</b>
<b>8</b>	<b>Independence of analysts.....</b>	<b>13</b>
8.1	The contents of the research – objectivity requirements.....	13
8.2	Issuer-paid research.....	13
8.3	Reviewing and fact-checking when preparing research.....	13
8.4	Remuneration .....	14
<b>9</b>	<b>Blackout periods in relation to the preparation of research .....</b>	<b>14</b>
9.1	Equity research.....	14
9.2	Credit research .....	15
9.3	Knock-on effect.....	15
<b>10</b>	<b>Content requirements for research .....</b>	<b>15</b>
10.1	Information on the party preparing research.....	15
10.2	General requirements .....	15
10.3	General information requirements regarding conflicts of interest .....	16
10.4	Additional information requirements regarding conflicts of interest.....	17
10.5	Where the information is to be located .....	17
10.6	Research covering several companies or one or more industries.....	18
10.7	Research with a limited scope and verbal research.....	18
10.8	Brokers’ duty to disclose their own holdings .....	18
10.9	Analysts’ duty to disclose their own holdings.....	18
10.10	Analysts’ assistance in corporate finance assignments (“Wall Crossing”).....	19
10.11	Other written and electronic materials (prospectuses, etc) .....	19
10.12	Information to the media .....	19
<b>11</b>	<b>Content requirements for marketing communications .....</b>	<b>19</b>

# 1 Introduction

This standard applies in its entirety to investment firms that accept assignments from issuers of financial instruments (corporate finance assignments<sup>1</sup>) and at the same time prepare and distribute investment recommendations/investment research<sup>2</sup> to investors. Part 2 of the standard (Preparation of research) also applies to investment firms that only prepare investment recommendations/investment research without accepting corporate finance assignments.

## 1.1 Objective

The objective of this standard is to:

- contribute to investment firms organising their operations and establishing routines in a way that prevents potential conflicts of interest in so far as possible, and for the firms to establish internal control measures to identify, prevent or deal with any conflicts of interest that arise,
- ensure that investment recommendations appear to be objective, reasonable, clear and not misleading, and that they clearly state any interests and conflicts of interest.

This will in total help to improve the market's integrity and safeguard the clients' interests.

## 1.2 Sources of law

With this standard, the Norwegian Securities Dealers Association (VPFF) has tried to create a combined set of rules for organisational measures and disclosure requirements in order to fulfil the standard's objective. The main sources of the statutory requirements are the Securities Trading Act, the Securities Trading Regulations, MiFID II<sup>3</sup> and MAR<sup>4</sup>, with associated legislative acts, especially the Commission Delegated Regulation (EU) 2017/565 and Commission Delegated Regulation (EU) 2016/958. Some of the quoted provisions include comments with explanations of how VPFF believes these provisions are to be interpreted. These are marked with (\*).

Part 1 deals with organisational requirements that are partly stipulated by VPFF and can partly be deduced from the legislation.

Part 2 deals with the preparation of research and the disclosure requirements. The disclosure requirements are mainly stipulated in the legislation, but some are determined by VPFF. In order to create a combined set of regulations, part 2 will thus contain both VPFF's separate guidelines, the prevailing Norwegian statutory provisions and the requirements which follow from MAR.

VPFF's special guidelines that go further than publicly determined provisions are stated in footnotes.

---

<sup>1</sup> See the definition in item 2

<sup>2</sup> See the definition in item 2

<sup>3</sup> Directive (EU) No. 2014/65

<sup>4</sup> Market Abuse Regulation, Regulation (EU) No 596/2014

## 2 Definitions

### 2.1 Investment research<sup>5</sup>

"Investment research"<sup>6</sup> (hereafter called research) is research or other information that contains a recommendation or proposal regarding an investment or investment strategy, explicit or implicit\*, relating to one or more financial instruments or issuers of such financial instruments, including any statement on such instruments' current or future value or price\*, intended for distribution channels or the general public, and where the following conditions in this regard have been met:

- a) the research or information is labelled or described as investment research or in similar terms, or is otherwise presented as an objective explanation of the matters contained in the recommendation.
- b) this is not counted as investment advice.

\*An explicit recommendation is, for example, buy, sell or hold, while an implicit recommendation is, for example, underperform, market perform, over-perform, etc.

\* In our opinion, the wording "any statement on such instruments' current or future value or price" means that this must be based on an assessment, not a rendering of what is the relevant market price (for example the stock-exchange quotation). The same applies if only the value/price to be used in the future in the case of a conversion to another financial instrument or if a derivative contract is exercised/lapses is quoted. Information in the form of an assessment of the value of a financial instrument that is not priced through trading in the market (regulated market/stock exchange, MHF/OHF or OTC system) or where a long period has elapsed since a price was determined in the market will, on the other hand, be information that is covered by this definition.

The legislation does not differentiate between equity research and credit research. Nor does this standard. The same regulations apply if the research is covered by the definition of investment research.

One form of credit research is research (without a recommendation) that contains an assessment of a borrower's (bond issuer's) ability to service a loan (credit) and an assessment of the security/assets underlying the company's debt. Such credit research focuses on the issuer's credit strengths and weaknesses, and comparisons may be drawn with corresponding issuers ("peer credits"). This kind of credit research is thus not intended to recommend or propose an investment or investment strategy, and is thus not covered by the definition of research in this standard or, therefore, by the research requirements stated in this standard. However, research that is designated as a marketing communication is subject to disclosure requirements, see item 2.2 and item 11 of this standard.

Credit research that uses quantitative models to give companies (for example banks) an "automatic" credit score, without any subjective assessments by analysts, is also not covered by the definition of investment research. This will thus be defined as a marketing communication.

### 2.2 Marketing communications

If the content of a report or other product does not meet the requirements stated above in item 2.1 paragraph one, for example publications from analysts such as "weekly updates", sector

---

<sup>5</sup> EU 2017/565 Art. 36

<sup>6</sup> See also section 3-6 (2) of the Securities Trading Regulations

reports, etc, this is to be designated marketing communications<sup>7</sup>. Refer to item 11 of this standard for the content requirements for marketing communications.

### 2.3 Corporate finance department<sup>8</sup>

The corporate finance department is the department of an investment firm that provides the following investment services and/or associated services:

1. Advice in connection with preparations for and the execution of initial public offerings (IPOs).
2. Advice in connection with preparations for and the execution of issues of shares, equity certificates, bonds and convertible bonds, as well as the underwriting of share issues or other public offerings.
3. Advice in connection with the preparation and execution of mergers and acquisitions (M&As) and the acquisition or sale of operations.
4. Other financial advice in relation to the above services.

### 2.4 Corporate finance assignments

corporate finance assignments are services that include one or more of the services mentioned in item 2.3 nos. 1-4.

### 2.5 Compliance department

The compliance department is the department of the investment firm that is responsible for the following functions:

- monitoring that prevailing legislation, other regulations and internal regulations are complied with by the investment firm and its employees,
- assisting in the preparation and updating of the investment firm's internal rules and procedures, and
- advising the investment firm's board, management and employees if they have questions concerning compliance with prevailing legislation, other regulations or internal rules.

## 3 The background to this standard

The business model used by investment firms has a built-in potential for conflicts of interest. The *corporate finance department* accepts assignments from issuers of securities and must execute these assignments in the best possible manner for its client (the company). The *trading (markets) department*, which mainly buys and sells shares, bonds and other securities, must on its part execute its assignments in the best possible manner for its clients (investors). The *research department* is a support function for the trading (markets) department and has the same obligations as this department, namely to serve the interests of the investors. Although the business model has potential conflicts of interest, this is a common and accepted model for organising investment firms, both nationally and internationally. The reasons for this include:

---

<sup>7</sup> EU 2017/565 Art 36 item 2

<sup>8</sup> In this standard, the corporate finance department is a generic term for Debt Capital Markets (DCM), Equity Capital Markets (ECM) and M&A activities relating to clients.

## **The investment firm's placing power**

Both companies and investors depend on the ability of investment firms to rapidly and efficiently place and acquire large shareholdings in the market. Such transactions are often linked to corporate finance assignments, such as new issues, mergers and acquisitions. Similarly, enterprises (borrowers) that require financing need investment firms to be able to place bonds quickly.

- **Networks.** The network that is essential for carrying out such assignments cannot be maintained without active day-to-day trading in the stock or bond market. All experience shows that the investment firms which trade the highest volumes of shares and/or bonds are usually also those with the best placing power.
- **Market knowledge.** A network alone is not sufficient to provide the necessary placing power. Knowledge of the "pulse" of the market and the investors' attitudes to risk and views on the market is also necessary. This can only be achieved through regular day-to-day trading. Such knowledge and expertise are an essential prerequisite for the corporate finance department's work. An effective corporate finance department must know the market if it is to price a new issue "correctly", and a trading desk is the best tool for this purpose.

## **Research**

Research is an important source of information for investors that are considering buying or selling shares or bonds. The research activity carried out by investment firms is a catalyst for trading and liquidity. There is also a strong, clear relationship between a company's liquidity and share price. A high level of liquidity results in the "more correct pricing" of a company, helps to keep financing costs down and ensures that the market can efficiently provide access to risk capital and investments.

Since the abovementioned business model entails potential conflicts of interest, the regulations stipulate several requirements for investment firms' operations.

- Firstly, stringent requirements are stipulated regarding the information that research and marketing communications must contain with reference to possible conflicts of interest. Investment firms must state any interests they have in, and any possible conflicts of interest with, the company to which the research and marketing communications relate. Clients must in such situations be ensured lawful treatment and the clients' interests must take precedence over those of the investment firm and its employees.
- Secondly, the potential for conflicts of interest must be reduced in so far as possible through requirements regarding the internal organisation and departmental independence. The most important matter in this respect is that an investment firm's management and staff must be very conscious of the interests they are to serve and develop a corporate culture that supports this and creates confidence externally. Information barriers must be impervious and both issuers and investors must feel certain that confidential information does not flow between departments.

## **4 The starting point**

### **4.1 Organisational requirements**

The key statutory provisions that form the starting point for regulating the relationship between the corporate finance and research departments are those regarding:

- the way in which investment firms are to be organised
- good business practice
- the duty of confidentiality
- the handling of inside information
- special provisions stipulating organisational requirements for research activity
- special provisions stipulating additional organisational requirements for investment firms that arrange share issues and underwriting
- special content requirements when preparing research and marketing communications

Investment firms are to organise their activities in such a way that the risk of conflicts of interest is kept to a minimum. In addition, investment firms are obliged to implement all suitable measures to identify and prevent or handle conflicts of interest between the firm and clients and between clients.

Conflicts of interest may arise both when preparing research and marketing communications and when carrying out corporate finance assignments, for example if the investment firm or its analyst has a special interest in the financial instrument in question. Articles 37-43 of Commission Regulation (EU) 2017/565 therefore stipulate special requirements for organisational schemes in order to prevent conflicts of interest from harming clients' interests.

In addition, the firm must have internal confidentiality instructions, including regarding the exchange of information between various parts of the operations.

When preparing research and carrying out corporate finance assignments, the rules governing the handling of inside information and rules governing the duty of confidentiality will play a key role. The firm must therefore also have internal confidentiality instructions, including instructions governing the exchange of information between various parts of the operations.

The corporate finance department is to be kept separate from the markets department and research department. This means the investment firm must build information barriers between these departments. In circular 4/2015, Finanstilsynet (Norway's Financial Supervisory Authority) has defined "information barriers" as follows:

*"Here, information barriers mean any measure that aims to prevent confidential information known to persons in one part of the firm from becoming known to persons in another part of the firm."*

If a corporate finance department employee receives inside information in connection with an assignment, he or she is subject to a duty not to disclose this to unauthorised third parties. In relation to a corporate finance assignment, other employees of the investment firm will normally be unauthorised third parties. Within the corporate finance department, too, there may be employees who must basically be counted as "unauthorised third parties". The larger the corporate finance department is as regards number of employees and number of assignments, the more stringent the requirements normally stipulated regarding information-exchange routines within this department.

If inside information is to be disclosed to a third party, this party's express consent to receiving inside information must also be obtained before the inside information is shared.

Issuing companies that provide inside information internally or to third parties must keep lists of persons given access to inside information. Similarly, investment firms have an independent duty to keep insider lists when they receive inside information from issuing companies. If inside information is given to a client or potential client when sounding out the market, a list of the persons to whom information has been given must be kept. The insider trading legislation also stipulates that investment firm employees who possess inside information are prohibited from providing advice.

The insider trading provisions are stipulated in further detail in Recommendation 4 Insider Trading and Order Book Information.

All investment firm employees are in addition subject to a general duty of confidentiality regarding any information pertaining to another person's circumstances that they become aware of during their work. This duty of confidentiality also applies to the name of the firm's principal (client). The duty of confidentiality relating to investment-service activities does not differentiate between sensitive and neutral client information.

However, the duty of confidentiality is not intended to prevent the exchange of information between persons with a reasonable or official need for the information (for example, employees in control functions, contracting parties, advisors). In such cases, it must also be considered how much of the information needs to be shared. If this is inside information and the persons with whom the information is to be shared are considered to be the proper persons, it must be stated that the information is inside information and the persons in question must be recorded on an insider list.

In order to state information on an ongoing or previous assignment in research or marketing communications, the express consent of the principal must be obtained. Consent is not necessary if the assignment has been made publicly known by the principal in a stock exchange notice or it follows from legislation that the basically confidential information can or must be included in research.

#### **4.2 The preparation of research and associated content requirements**

The provisions regulating the content requirements for research follow in part from the EU Market Abuse Regulation (MAR) and in part from MiFID II.

The fundamental principle is that persons who prepare or impart research or other information that recommends or proposes an investment strategy must ensure that the information is presented objectively and that their interests or conflicts of interest concerning the financial instruments to which the information relates are clearly stated.

Part II of this standard contains the more specific content requirements for research and marketing communications.



## PART 1 ORGANISATIONAL REQUIREMENTS

### 5 Internal organisation requirements for investment firms

The requirements stated in this chapter must be adapted to the nature of the operations, including whether the corporate finance assignment is linked to financial instruments that are subject to the insider trading provisions. Investment firms should consider whether assignments linked to other financial instruments/issuers should also be assessed in the same way. They must especially bear in mind that the misuse of "inside information" relating to financial instruments that are not traded in a trading venue or relating to unlisted companies may be a breach of other statutory provisions and/or standards of good business practice.

#### 5.1 Separate provisions for underwriting and placements

The EU regulations contain separate conflict of interest provisions that are applicable when an investment firm undertakes an assignment to establish underwriting or to place financial instruments.<sup>9</sup> These provisions are referred to in further detail in VPPF's MiFID II Information Memo no. 6. The main points are:

- Investment firms that advise companies on financing strategies and underwrite or place financial instruments undertake to give the issuer (clients) diverse information before a mandate agreement is entered into.
- Investment firms must have a centralised process – an Engagement Committee<sup>10</sup> (EC) - that is to identify possible conflicts of interest before the investment firm undertakes an underwriting or placement assignment.
- If the investment firm cannot handle a conflict of interest by implementing suitable procedures, the investment firm shall not accept the assignment.
- The investment firm must have implemented systems, checks and procedures to identify and prevent or handle conflicts of interest that arise in connection with a possible under- or overpricing of an offer or as a result of relevant parties' participation in the process.

In addition, the underwriting and placement rules stipulate:

- Provisions prohibiting advantageous allocations with the aim of influencing clients to trade more actively or pay higher commissions for other services.
- Special "be aware rules" for the placement of offers where the investment firm receives a lead manager fee and/or where the investment firm takes part in the placement of financial instruments issued by its own enterprise. The same applies if a new issue, such as a bond loan, is to be used to repay other credit that the firm has given to the issuer.
- A "be aware rule" also applies if a new issue, for example a bond loan, is to be used to repay other credit that the firm has given to the same issuer.

---

<sup>9</sup> EU 2017/565 art. 38-43

<sup>10</sup> We refer in this regard to Recommendation 10 Handling of Certain Conflicts of Interest, which describes the Engagement Committee's tasks and responsibilities.

## **5.2 Internal duty of confidentiality regarding corporate finance assignments**

Investment firms that accept a corporate finance assignment must ensure that the assignment is not made known to employees of the investment firm other than those who are working on the specific assignment or who have to be privy to the assignment in order to avoid conflicts of interest, such as the EC. Reference is made to the brief description of the EC in item 4.1 above.

The investment firm must have routines for assessing and if relevant approving whether there is a need for employees outside the corporate finance department and EC, for example some employees in the settlement and risk-management departments, to be made aware of the assignment. This can, for example, be organised by an authorised person approving each individual case or by the compliance officer approving in advance the units or individuals that can be contacted. Everyone who becomes aware of the corporate finance assignment must be immediately entered on the insider list if the assignment entails the handling of inside information.

The investment firm must endeavour to ensure that its activities continue as normal so that no indication of the concrete assignment is given, either internally or externally, including who and what the assignment relates to.

## **5.3 List of assignments (“observation list”)**

A list of assignments or observation list is to be prepared, containing an overview of all corporate finance assignments as well as concrete indications of such. The entire observation list is to be available only to the EC, the firm’s general manager, the de facto head of the corporate finance department and the firm’s relevant compliance officer.

The compliance officer is to implement adequate measures, depending on the firm's size and organisation, to sufficiently monitor the firm’s and firm’s employees’ transactions in the financial instruments related to the issuer enterprises on the observation list.

Once a company is included on an observation list, adequate measures are to be introduced with the aim of preventing the information from being utilised by the employee or employees in possession of such information, by the investment firm itself or by its clients. This includes introducing sufficient measures to ensure:

- that none of the investment firm’s employees who have inside information advise clients in respect of trading in the company’s financial instruments (apart from executing orders placed by clients (passive brokering))
- that own-account trading which forms part of the investment firm's investment-service operations (market-making and systematic internalisation) is immediately observed and controlled

The investment firm must also consider whether to introduce restrictions on

- the firm's own-account trading as part of the firm's normal asset management ("prop trading") relating to the financial instruments in question
- all own-account trading by employees

## **6 Analyst assistance in corporate finance assignments**

Analysts may not take part in activities other than the preparation of research if these activities are incompatible with the analyst retaining his/her objectivity. There must be a thorough assessment by the analyst him/herself, the analyst's superior and the compliance officer if the

analyst is to take part in any kind of activity related to the corporate finance department. Such an assessment should consider not only the analyst's independent ability to retain his/her objectivity, but also the potential reactions and opinions of clients and other interested parties. Below are some examples of activities that analysts can take part in provided the nature of the activity is such that the analyst's objectivity is retained.

### **6.1 General assistance**

Analysts may take part in the following activities:

- Analysts may assist the corporate finance department with ideas on possible transactions as long as the communication is only one-way; from the analyst to the corporate finance department.
- Analysts may provide advice to the corporate finance department on price setting and the structuring of a “corporate transaction” and on the expected investor interest in this.

### **6.2 Participation in marketing activities**

Analysts may only take part in certain marketing activities for relevant assignments provided they are acting independently and appear to be an independent representative of the research department and not a representative of the corporate finance department and/or the issuing company. This may, for example, be the case if, during an open tendering phase, the issuing company asks to hear one or more analysts' views on the company's developments, plans for what the research is to cover, etc.

The same prerequisites apply during a transaction's marketing phase, for example if potential investors ask to hear analysts' views on the company or transaction.

### **6.3 Participation in corporate finance assignments (“Wall Crossing”)**

Analysts who provide assistance to the corporate finance department, i.e. play an active role in the project that lasts for a certain duration in connection with a corporate finance assignment, cannot start on research relating to the company or companies to which the assignment refers or help other analysts in such work while the analyst is providing such assistance. The compliance officer or research manager must ensure that, during such periods, the analyst is subject to restrictions that are adequate in relation to the scope of the assistance the analyst provides to the corporate finance department.

Should an analyst who is contributing to the work on a corporate finance assignment receive inside information, the analyst may not prepare research until at least six months after the assignment is completed. Nor may the analyst assist other analysts who are preparing research relating to the same company during this period. It is a prerequisite for preparing research after the expiry of the six-month period that the information the analyst received is no longer regarded as inside information.

If the information the analyst received in connection with the corporate finance assignment is published in a stock exchange notice, prospectus, financial report or other presentation, the analyst may nonetheless prepare research prior to the expiry of the six-month period stated in paragraph two. In such cases, at least two scheduled trading days must elapse between the publication of the information and the publication of research containing a recommendation or target price. The compliance officer or research manager determines whether or not the research

can be published, including whether or not the period of two scheduled trading days should be extended.

## **7 Rules governing analysts' and associated persons' own-trading**

Analysts may not prepare or take part in preparing research on financial instruments issued by issuers in which the analyst him/herself owns financial instruments. The compliance officer and/or research manager must assess whether this prohibition should also apply correspondingly to other issuers in the same sector/industry.

Any sale of financial instruments before the analyst starts to conduct research concerning the financial instrument and/or issuer must be carried out as soon as the firm asks the analyst to prepare to cover this, and at the latest one month before the date when it is planned to publish the research. The compliance office may grant an exemption from the deadline for completing the sale.

Following a further assessment by the research manager and compliance officer, the analyst may be allowed to retain financial instruments he/she acquired;

- less than three months before the analyst started to conduct research concerning the financial instrument and/or issuer.
- in some way other than by purchase; for example through inheritance or as a merger payment.

If the analyst has been granted the permission stated in paragraph three, the following provisions apply:

- analysts may not sell unless the latest recommendation is to sell. The compliance officer may in special cases grant dispensation from this provision.
- analysts may not sell until at least a week has elapsed since the analyst's research (with a recommendation to sell) was published. The restriction on selling applies even if any lock-in period has elapsed.
- analysts may exercise subscription rights in share issues of companies in which the analyst is already a shareholder, but cannot purchase new subscription rights.

Analysts have a duty to disclose their own holdings, as stated in item 10.9.

Associated persons<sup>11</sup> with knowledge of:

- (1) the probable date when the research will be published,
- (2) content of the research which is not available to clients or the general public, or
- (3) content of the investment research which cannot easily be deduced from publicly available information

may not trade for their own or another party's account (including the investment firm's account) in financial instruments covered by the research or derivative financial instruments until the recipients of the research have had a reasonable opportunity to trade on the basis of the research .

---

<sup>11</sup> Refer to the definition in the annex

## **PART 2 PREPARATION OF RESEARCH**

### **8 Independence of analysts**

#### **8.1 The contents of the research – objectivity requirements**

Research must reflect the analyst's true impression of the relevant issuer(s) or trade/industry. Investment firms, the analyst him/herself or other persons involved in preparing the research may not offer or promise to provide issuers with positive reports or change recommendations/estimates with the aim of obtaining a corporate finance assignment or for other reasons.

#### **8.2 Issuer-paid research**

If an issuer or third party pays for the preparation of the research, this must be clearly and plainly stated in a prominent place in the research for example by calling this «issuer-paid research», «sponsored research» or suchlike.

The payment for the research must not have a structure or contain incentives that may influence the analyst's objectivity. An example of this is an agreement that compensation/payment for the research is to be deducted from the fee for a forthcoming corporate assignment.

The research must meet all the requirements for the content of research that follow from item 10 of this Standard, but shall not contain any recommendation such as buy, hold, sell or underperform, market perform, overperform, etc. Nor may the research contain any target price. The research may contain a valuation range for the company as a whole or per financial instrument.

#### **8.3 Reviewing and fact-checking when preparing research**

Analysts must not be subject to the guidance, supervision or control of corporate finance department employees. If research contains a recommendation or target price, employees of the corporate finance department or relevant issuing company may not review or approve the research before it is published. If regarded as necessary to verify facts stated in the research or to reveal any conflicts of interest, an edited version of the research, without any target price or recommendation, may nonetheless be sent to the corporate finance department and/or issuing company. Such a review may only take place if permitted by the compliance officer or research manager. The person granting such permission must document, and file the reasons for, the permission.

For pre-IPO research where the process is regulated by Research Guidelines, the corporate finance department will normally be given access to a draft of the research that is sent to the lawyers for perusal. Pre-IPO research does not state a recommendation or target price, but indicates a value range for the company. The corporate finance department may check the facts in the research, but may not state any views or opinions on the indicated value range. The issuing company shall only be given access to an edited version of the draft research that does not contain the indicated value range or any other information on the valuation of the company.

The investment firm must establish good internal routines that ensure compliance with these requirements.

## 8.4 Remuneration

Analysts' bonuses or other remuneration shall not be directly linked to concrete corporate finance assignments. The research must state if the analyst receives a bonus under the investment firm's general bonus scheme. The firm should also consider whether it should be stated in the research if the analyst receives a considerable share of the firm's profits in the form of share dividend or some other form of remuneration.

## 9 Blackout periods in relation to the preparation of research

Lead managers, syndicate members and advisors are subject to restrictions regarding the preparation and distribution of research that contains a recommendation or target price. During a period in which restrictions apply, see below, it must be considered whether to inactivate prevailing recommendations and estimates. The crucial factor here will be how long the restrictions are expected to last. It must be taken into account that recommendations and estimates may become out-of-date and misleading if the restrictions last for a long time. This must be assessed by the research manager and compliance officer.

Unless otherwise determined and stipulated in Research Guidelines or corresponding guidelines for the individual transaction, the following restrictions apply:

### 9.1 Equity research

In the case of public share issues or secondary sales, research shall not be prepared and distributed<sup>12</sup> less than seven days before the prospectus is published or less than 30 days after the last day of the subscription period for the shares to be issued or resold.

In the case of *initial public offerings*, research shall not be prepared and distributed less than seven days before the prospectus is published or less than 30 days after the first listing day.

In the case of *private placements*, the need for restrictions on the preparation and distribution of research must be considered, including the length of any such restriction<sup>13</sup>.

In the case of *a listing on a Norwegian MTF*, research with a target price and/or recommendation shall not be prepared and distributed less than 14 days after the first listing day. If a prospectus is prepared in connection with such a listing, the preparation and distribution restrictions for initial public offerings apply.

In the case of *repair offerings* after private placements, research shall not be prepared and distributed less than seven days before the prospectus for the repair offering is published or earlier than the day after the last day of the subscription period.

However, research may also be prepared and distributed during such blackout periods if there is significant company-specific news or an important event relating to the issuing company. This requires prior authorisation by the research manager or compliance officer. The investment firm should in such cases make the conflict of interest especially clear, for example by including wording on the front page of the research and considering whether or not a recommendation and target price are to be included.

---

<sup>12</sup> By "distribution" is meant any publication or dissemination.

<sup>13</sup> The need for restrictions in the case of private placements must primarily be considered in relation to whether the offer comes close to the obligation to prepare a prospectus.

## **9.2 Credit research**

In the case of bond issues, the need for restrictions on the preparation and distribution of research must be considered, including possibly the length of the restriction<sup>14</sup>. The normal practice in the case of bond issues is for a "pre-issue" report without a recommendation to be prepared and distributed in connection with the launch. A specific assessment of the need for restrictions in relation to some jurisdictions and especially disclaimers should be conducted for a "pre-issue" report.

## **9.3 Knock-on effect**

The above restrictions apply individually to the preparation and distribution of equity research in the case of a share issue or stock exchange listing of shares, and to the preparation and distribution of credit research in the case of a bond issue or the stock exchange listing of bonds. This means that a blackout period or other restrictions are not usually demanded for the preparation and distribution of equity research in connection with a mandate to issue bonds, and correspondingly that a blackout period or other restrictions are not normally demanded for the preparation and distribution of credit research in connection with a mandate for a share issue. A blackout period or restrictions may nonetheless be necessary in certain situations, for example if the issuing company is undergoing a major restructuring. An important factor will be the type of transaction and the duration of the transaction.

The research manager or compliance officer shall consider whether restrictions are to be imposed regarding both equity research and credit research in the abovementioned cases.

# **10 Content requirements for research<sup>15</sup>**

## **10.1 Information on the party preparing research**

The following information must be provided:

- The name and job title of the analyst who has prepared the research and corresponding information on any others who have been involved in preparing the research.
- The name of the legal person responsible for the preparation.
- The name of the supervisory authority.

## **10.2 General requirements**

The party preparing research shall ensure that the following requirements are met:

1. facts must be clearly distinguished from interpretations, assessments, opinions and other non-factual information,
2. all significant sources must be clearly and prominently marked\*,
3. all sources must be regarded as being reliable. Any doubt about a source's reliability must be clearly stated,

---

<sup>14</sup> The need for restrictions on bond issues must primarily be assessed bearing in mind research with recommendations during the period when the transaction is "open" and known in the market.

<sup>15</sup> Section 3-5, et seq, of the Securities Trading Regulations, Articles 2-7 of EU 2016/958

4. all projections, forecasts, target prices and price estimates must be clearly stated to be such and the material assumptions for the preparation or use of these must be clearly stated,
5. the date and time when the research was completed must be clearly and prominently marked\*,
6. it must be stated whether the research has been disclosed to the issuer and, if so, whether it was amended following this,
7. a summary must be provided of the basis for the valuation or method and the underlying assessments used either to assess a financial instrument or issuer or to determine a target price, as well as a statement and summary of all the changes to the valuation, method or underlying assessments\*,
8. it must be stated where detailed information on the valuation models or method used and the underlying assessments is directly and easily available\*,
9. an account must have been given of the meaning of the contents of the recommendations made, such as buy, sell or hold, including the time horizon for the investment to which the recommendation relates, and a suitable risk warning must have been given that includes a sensitivity analysis of the assumptions,
10. the frequency of any planned updates and any major changes to formerly notified guidelines for the coverage of the financial instrument or the issuer must be stated,
11. the date and time of prices of financial instruments must be mentioned in the research,
12. any changes in the research's recommendation compared to previous recommendations regarding the same financial instrument or issuer that have been prepared during the previous 12 months must be stated, as well as the date of the previous recommendation,
13. there must be a list of all the research linked to financial instruments or issuers that has been prepared during the past 12 months, with the following stated regarding each research: the date when it was prepared, the identity of the natural person or persons who have prepared the research, the target price and the relevant market price at the time of distribution, the direction of the recommendation and the target price's or recommendation's period of validity\*.

\*Information marked with an asterisk may be omitted if the information required is disproportionate to the length or form of the research, see item 10.7.

### **10.3 General information requirements regarding conflicts of interest**

Analysts must clearly state all their own interests and conflicts of interest that can reasonably be expected to influence the objectivity of the research. This also applies in relation to other persons who have been involved in preparing the research.

The following factors must always be stated

- if the analyst him/herself or other persons who have prepared the research have a material ownership stake or other financial interest in one or more of the financial instruments to which the research relates,
- if there is a material conflict of interest between the person preparing the research and the issuer(s) of one or more of the financial instruments to which the research relates.

In addition, the investment firm's own and related legal persons' interests or conflicts of interest must be stated if it can reasonably be expected that such interests are known to the analyst or other natural persons who take part in preparing the research, and any other natural persons who can reasonably be expected to have had access to the research before it was distributed or became known to the general public.



The duty of disclosure stated in the legislation is modified by there being no duty for the investment firm “to breach effective information barriers put in place in order to prevent conflicts of interest between its departments”. The statutory provisions cover both information that is basically public and information that is basically subject to a duty of confidentiality. Information on shareholdings in a limited liability company is normally publicly available information. Even if it is not publicly available information (foreign companies), information on one’s own shareholding in a company will not normally breach any public or internal duty of confidentiality. However, information on “other (material) financial interests” may easily be subject to a duty of confidentiality. For example, it is clear that the credit department of a bank cannot provide information on an issuer’s credit exposures to analysts in the bank’s investment firm. There will therefore naturally also not be any duty to include this type of information in the research.

#### **10.4 Additional information requirements regarding conflicts of interest**

The research must as a minimum state the following:

1. the firm's net position in the issuer if this exceeds the threshold of 0.5 per cent of the issuer's total issued share capital, including a declaration of whether this is a long or short position<sup>16</sup>,
2. the issuer’s ownership of shares in the investment firm or in related legal persons if the share ownership exceeds 5 per cent of the share capital or can reasonably be expected to influence the objectivity of the research, as well as any other material financial interest that the investment firm or related legal persons have in relation to the issuer,
3. where applicable, that the investment firm or any associated legal person is a market maker or liquidity provider for the financial instruments in question,
4. where applicable, that the investment firm or any related legal person has been the lead manager or co-lead manager during the previous 12 months in connection with financial instruments issued by the issuing company in question (\*),
5. where applicable, that the investment firm or other persons belonging to the same group of companies have a contractual relationship with the issuer regarding the provision of investment services or additional services, provided such information will not reveal business or operations secrets and the agreement has been in force during the past 12 months or an obligation to pay or receive compensation has arisen during the same period,
6. where applicable, that the person or other persons belonging to the same group of companies are party to an agreement with the issuer regarding the preparation of the research,
7. a description of the organisational and administrative precautions and information barriers that have been introduced with the objective of preventing and avoiding conflicts of interest regarding the preparation of research,
8. at least on a quarterly basis, the proportion of prepared recommendations that belong to the categories buy, hold, sell or the equivalent, as well as the proportion of issuers in each of these categories to which the investment firm has supplied material “investment banking services” (corporate finance assignments) during the previous 12 months.

(\* )VPFF does not believe it is necessary to provide such information if the investment firm’s assignment has only been to be the place of subscription (to receive orders).

#### **10.5 Where the information is to be located**

Information that the investment firm is ordered to state in investment research according to the above provisions must primarily be stated in one suitable place in the research. At the beginning of the

---

<sup>16</sup> Calculated in accordance with EU Regulation no. 236/2012 and chapters III and IV of Commission Delegated Regulation (EU) no. 918/2012

research, there must be a declaration that the research contains such information and it must be stated where this information can be found in the research.

Information pursuant to item 10.4 no 4 must be stated on the front page of the research report for at least two calendar months after the investment firm has completed such an assignment.

#### **10.6 Research covering several companies or one or more industries**

Research that covers six or more companies or one or more industries, as well as reports (monthly reports and suchlike), must either include the information that has to be included according to chapter 10 or state general information regarding the possibility of the investment firm having corporate finance assignments and/or of the investment firm or its employees having shareholdings in the companies referred to.

As regards the latter alternative, it is a prerequisite that the research falls under the definition of, and rules that apply to, "research with a limited scope" in item 10.7. In such case, it must be stated where information on the facts in question is to be found, for example on the investment firm's website or by the investment firm providing information upon request.

#### **10.7 Research with a limited scope and verbal research**

To the extent that the fulfilment of the requirements in item 10 subsections 2, 5, 7, 8 and 14 is not in reasonable proportion to the length or form of the research presented, or the research is presented verbally, it is sufficient if there is a clear and plain reference to a place where the general public can easily and directly gain access to the necessary information, such as the investment firm's website.

#### **10.8 Brokers' duty to disclose their own holdings<sup>17</sup>**

Brokers may be under a duty to disclose their own shareholdings to clients in connection with their sales work relating to share issues/secondary market sales and when providing advice relating to purchases or sales in the secondary market if the employee owns shares in the company to which the advice refers and the shares are of material financial value to the employee in question.

The investment firm's internal guidelines should contain a more detailed definition of what is to be regarded as a shareholding subject to a duty of disclosure, and how any duty of disclosure is to be fulfilled. It should also be decided whether employees that hold such aforementioned shareholdings in individual shares may act as brokers/market-makers for the same share.

To prevent employees with such aforementioned shareholdings from being put in a difficult position regarding their advice to clients, the investment firm shall in its guidelines stipulate that active advice from the person concerned relating to buying or selling shall solely be based on the investment firm's research. If the investment firm has not prepared research linked to a company's shares, the employee concerned shall only carry out "passive" brokering, ie, not give any advice to clients.

#### **10.9 Analysts' duty to disclose their own holdings<sup>18</sup>**

Should the *analyst or his/her related legal persons*<sup>19</sup> directly or indirectly own financial instruments covered by the research, the total size of this holding shall be stated in the research.

---

<sup>17</sup> This requirement goes further than the statutory requirement

<sup>18</sup> This requirement goes further than the statutory requirement

<sup>19</sup> Section 2-5 of the Securities Trading Act

The individual investment firm must also assess whether there are *other employees* in the investment firm that are to be named in the research because they directly or indirectly own financial instruments in the company that are of material importance to their personal finances. Should this be the case, the size of the employee's holding shall be stated.

#### **10.10 Analysts' assistance in corporate finance assignments ("Wall Crossing")<sup>20</sup>**

The research shall state whether the analyst has provided the assistance mentioned in item 6.3 to the corporate finance department in connection with a published corporate finance assignment that the investment firm has carried out for the company during the 12 months prior to the publication of the research.

#### **10.11 Other written and electronic materials (prospectuses, etc)<sup>21</sup>**

In such materials, investment firms should, in so far as possible, refer to the fact that the investment firm and/or its employees may own financial instruments in one or more of the companies referred to and that more detailed information may be obtained from the investment firm upon request or that information is available on the investment firm's website.

#### **10.12 Information to the media <sup>22</sup>**

Should an analyst or other employee of an investment firm comment on a company in the media, the person concerned should in so far as practically possible state his/her own holdings in the company. The analyst or other employee is not responsible for ensuring that such information is disseminated by the media.

### **11 Content requirements for marketing communications**

The following information must be included in marketing communications

- The total size of the portfolio of financial instruments issued by the company to which the marketing communication refers that is held by the person who has prepared the communication and/or this person's related parties, see section 2-5 of the Securities Trading Act.
- Information on any board memberships and/or employment relationships that the person in question and this person's related parties have with the company to which the marketing communication refers on the date when the research is published.
- Whether the investment firm may have its own portfolio of financial instruments issued by the company to which the marketing communication refers. This does not apply to portfolios resulting from the investment firm's own-account trading as part of its investment service activities.
- Whether the investment firm has had corporate finance assignments for the company during the past 12 months.

---

<sup>20</sup> This requirement goes further than the statutory requirement

<sup>21</sup> This requirement goes further than the statutory requirement

<sup>22</sup> This requirement goes further than the statutory requirement

- That the analyst does not receive a bonus linked to any specific assignment that the marketing communication has been prepared in connection with.

Item 10.7 of this standard applies correspondingly.

- 

## Annex:

Definition of a related party/person closely associated in MAR EU 596/2014 Art 3 no. 26.

**A related legal person/person closely associated** means "a legal person, trust or partnership, the managerial responsibilities of which are discharged by a person discharging managerial responsibilities or by a person referred to in point (a)\*, (b)\*\* or (c)\*\*\*, which is directly or indirectly controlled by such a person, which is set up for the benefit of such a person, or the economic interests of which are substantially equivalent to those of such a person"

a)\* "A spouse, or a partner considered to be equivalent to a spouse in accordance with national law".

b)\*\* "A dependent child, in accordance with national law".

c)\*\*\*"A relative who has shared the same household for at least one year on the date of the transaction concerned".

**A group of companies** means "a parent company and all its subsidiaries"

Definition of a related party in section 2-5 of the Norwegian Securities Trading Act

1. the spouse or a person with whom the shareholder cohabits in a relationship akin to marriage,
2. the shareholder's under-age children, and under-age children of a person as mentioned in no. 1 with whom the shareholder cohabits,
3. an undertaking within the same group as the shareholder,
4. an undertaking in which the shareholder himself or a person as mentioned in nos. 1, 2 or 5 exercises influence as mentioned in the Private Limited Companies Act section 1–3 subsection (2), the Public Limited Companies Act section 1–3 subsection (2) or the General and Limited Partnerships Act section 1–2 subsection (2),
5. a party with whom the shareholder must be assumed to be acting in concert in the exercise of rights accruing to the owner of a financial instrument, also in cases where a bid is frustrated or prevented.