VERDIPAPIRFORETAKENES FORBUND

NORWEGIAN SECURITIES MARKETS ASSOCIATION

INDUSTRY STANDARD NO. 3

Handling of conflicts of interest and content requirements for research, including sustainability information from issuers

The relationship between the Corporate Finance department and the Research department.

The standard was adopted by the Board of Directors of the Norwegian Securities Markets Association on 6 September 2005 with entry into force on 12 September 2005. Revised December 4, 2007, June 28, 2016, February 1, 2017, June 12, 2018, June 10, 2020, December 2, 2020, April 26, 2022, and November 21, 2023.

Content

1 Introduction

This standard applies to investment firms that prepare and distribute investment recommendations/investment analyses to[1] investors. Chapters 9 and 10 apply only to investment firms that both undertake assignments from issuers of financial instruments (Corporate Finance assignments[2]) and prepare and distribute investment recommendations/investment analyses[3] to investors.

1.1 Objective

The objective of this standard is to;

- ensure that investment analyses appear objective, reasonable, clear and not misleading, including that any interests and conflicts of interest are clearly disclosed, and that relevant sustainability information from issuers is disclosed.
- help investment firms to organise their activities and establish routines in a way that prevents potential conflicts of interest as far as possible, and to establish internal control measures to identify, prevent or manage conflicts of interest that may arise.

Overall, this will help promote market integrity and customer interests.

1.2 Sources of law

At this standard, the Norwegian Securities Markets Association (VPFF) has sought to produce an overall set of rules for organisational measures and disclosure requirements in order to fulfil the purpose of the standard. The main sources for the statutory requirements are the Securities Trading Act, the Securities Trading Regulation and associated legal acts, in particular delegated Commission Regulation (EU) 2017/565 and delegated Commission Regulation 2016/958. Under some of the rendered provisions, comments have been included explaining how VPFF believes these provisions are to be understood. These are marked with (*).

The standard deals with both disclosure requirements and organisational requirements that are partly stipulated by VPFF and partly can be derived from legislation.

Where VPFF's special guidelines go further than publicly laid down provisions, this is indicated in footnotes.

2 Definitions

2.1 Investment research[4]

"Investment research" (hereinafter referred to as research) means analysis or other information that recommends or proposes an investment or investment strategy, explicit or implicit*, that relates to one or more Financial Instruments or issuers of such Financial Instruments, including any statement regarding the current or future value or price of such instruments**, intended for distribution channels or the public, and where the following conditions are met:

[1] See definition in section 2

[2] See definition in section 2

[3] See definition in section 2

[4] See Section 2-2 of the Securities Regulations, which refers to EU 2017/565 Art 36

a) the research or information is marked or described as investment research or in a similar manner;

(b) do not count as investment advice;

* An explicit recommendation is for example buy, sell or hold, while implicit recommendation is for example underperform, market perform, overperform, etc.

** In our opinion, "any statement about the present or future value or price of such instruments" means that there must be an assessment, not a representation of the current market price (e.g. stock price). The same applies if only the value/price used in the future is reproduced for conversion to another financial instrument or redemption/lapse of derivative contracts. Information in the form of an assessment of the value of a financial instrument that is not priced through market trading (regulated market/stock exchange, MHF/OHF, OTC system) or where a long time has passed since a price was set in the market, will on the other hand be information that falls within the definition.

The legislation does not distinguish between stock research and credit research. Neither does this standard. The same rules apply if the research is covered by the definition of investment research.

One form of credit research is analyses (without recommendation) that contain an assessment of the borrower's (bond issuer's) ability to service loans (credit), as well as an assessment of the collateral/values that underpin the company's debt. Such credit analyses focus on an issuer's credit strengths and weaknesses, including comparisons with peer credits. The purpose of this type of credit research is therefore not to recommend or propose an investment or investment strategy, and thus falls outside the definition of research in this standard and therefore also outside the research requirements of this standard. However, there are disclosure requirements for such analyses that must be referred to as marketing material, see sections 2.2 and 8 of this standard.

Credit research where quantitative models are used to provide companies (e.g. banks) with an "automatic" credit score, without subjective assessments from analysts, also falls outside the definition of investment research. This will thus be defined as marketing material.

2.2 Marketing materials

If the content of a report or other product does not meet the requirements set out above in section 2.1, first paragraph, for example publications from analysts such as weekly updates, sector reports, etc., this shall be referred to as marketing material. See section 8 of this standard for content requirements for marketing materials.

2.3 Corporate Finance Department[5]

Corporate Finance Department means the department of an investment firm that provides the following investment and/or related services:

1. Advice in connection with the organisation and execution of IPOs.
2. Advice in connection with the arranging and execution of share issues, equity certificates, bonds and convertible bonds, as well as guarantees for underwriting of share issues or other public offerings.
3. Advice in connection with the facilitation and execution of mergers and acquisitions (M&A) as well as acquisitions and sales of businesses.
4. Other financial advice in relation to the above services.

[5] Corporate finance department is used in this standard as a generic term for Debt Capital Markets (DCM), Equity Capital Markets (ECM) and M&A activity related to clients.

2.4 Corporate Finance assignments

Corporate finance assignments mean services that include one or more of the services referred to in section 2.3, paragraphs 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 of this standard

Research

Research is an important source of information for investors to consider buying or selling stocks or bonds. The research activities carried out by investment firms are a catalyst for turnover and liquidity. There is a correlation between liquidity and pricing of a company. High liquidity provides a "more accurate pricing" of companies, helps to keep down financing costs and ensures market efficiency in relation to access to risk capital and investments.

There are strict requirements regarding what information analyses and marketing material must contain with regard to possible conflicts of interest. Investment firms must disclose any of their own interests in, as well as any conflicts of interest with, the company to which the research and marketing material relates. In such situations, clients shall be ensured fair treatment, and the interests of investment firms and employees shall prevail in the interests of the clients.

The potential for conflicts of interest must be reduced as far as possible through requirements for internal organisation and independence between departments. The most important thing in this connection is that management and employees of investment firms are aware of the interests they are to serve and build up a culture in the firm that supports this and that gives confidence to the public. Information barriers must be tight, and both issuers and investors must be confident that confidential information does not flow between departments.

Conflicts of interest

The investment firms' business model has a built-in potential for conflicts of interest.

The Corporate Finance department receives assignments from issuers of securities and the department shall perform the assignment in the best interests of its principal (the company).

The brokerage department (Markets), which mainly trades in equities, bonds and other securities, shall in turn carry execute its assignments in the best interests of its principals (investors).

The research department is a support function for the brokerage department and has the same duty as the brokerage department; namely to serve the interests of investors.

Although this business model has the potential for conflicts of interest, this is a common and accepted model for organising investment firms both nationally and internationally. The reasons for this include:

Investment firms' placing power

Both companies and investors are dependent on investment firms being able to quickly and efficiently invest and acquire large shareholdings in the market. Such transactions are often linked to corporate finance assignments, such as share issues, mergers and acquisitions. Similarly, businesses (borrowers) need investment firms to be able to quickly place bonds when funding needs arise.

- **Network.** The network necessary to carry out such assignments cannot be maintained without active day-to-day trading in the equity or bond markets. All experience shows that investment firms with the highest turnover in equities and/or bonds usually also have the best placing power.
- **Market knowledge.** A network alone is not sufficient to provide the necessary placing power. It is also necessary to know the "pulse" of the market, investors' risk attitude and market view. This can only be achieved through regular day-to-day trading. The same knowledge and expertise is a key prerequisite for the work in the Corporate Finance department. An efficient corporate finance department must know the market to price a private placement "correctly," and a brokerage desk is the best tool for this purpose.

4 Legal basis

4.1 Preparation of analyses and associated content requirements

The basic principle is that persons who prepare or disseminate analyses or other information recommending or proposing an investment strategy shall ensure that the information is presented objectively and that the individual's interests or conflicts of interest are clearly stated in relation to the financial instruments to which the information relates.

This standard contains more specific content requirements for analytics and marketing materials.

4.2 Organizational requirements

The key statutory provisions that form the basis for regulating the relationship between the Corporate Finance department and the Research Department are the provisions on;

- Organisation of investment firms
- Good business practice
- Confidentiality
- Handling of inside information
- special provisions concerning organisational requirements for research activities;
- Special provisions on additional organisational requirements for investment firms facilitating share issues and underwriting
- Special content requirements for the preparation of research and marketing material

Investment firms shall organise their activities in such a way that the risk of conflicts of interest is minimised. Furthermore, investment firms are obliged to take all appropriate measures to identify and prevent or manage conflicts of interest between the firm and its clients and between clients.

Both in the preparation of research, marketing material and execution of corporate finance assignments, conflicts of interest may arise, for example if the investment firm or analyst here has a

special interest in the relevant financial instrument. Special requirements have therefore been set for organisational arrangements to prevent conflicts of interest from harming clients' interests.[6]. .

Furthermore, the firm shall have internal instructions for confidentiality, including for the exchange of information between different parts of the operations.

When preparing research and executing corporate finance assignments, the rules on the handling of inside information and rules on confidentiality will be particularly important. The firm shall therefore also have internal instructions for confidentiality, including for the exchange of information between different parts of the operations.

The corporate finance department shall be kept separate from the brokerage department and the research department. This means that investment firms must build information barriers between these departments. In Circular 1/2023, Finanstilsynet 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 an employee in a corporate finance department receives inside information in connection with an assignment, he or she has a duty of confidentiality towards unauthorised persons. In relation to a corporate finance assignment, other employees of the investment firm will normally be unauthorised persons. There may also be employees within the Corporate Finance department who must in principle be regarded as «unauthorised persons». The larger the Corporate Finance department in terms of number of employees and number of assignments, the greater the requirements will normally be placed on routines for information exchange within the Corporate Finance department.

In addition, if inside information is to be passed on to third parties, this party's explicit consent to receive inside information must be obtained before inside information is shared.

When issuing companies provide inside information internally or to third parties, the issuing company shall maintain lists of persons who are given access to inside information. Similarly, investment firms have an independent duty to maintain lists of insiders when inside information is received from issuer companies. If inside information has been provided to a customer or potential customer in connection with market sounding, the persons to whom the information has been provided shall be listed. It also follows from the legislation on insider trading that employees of investment firms that possess inside information are subject to a prohibition on advisory services.

The insider trading provisions are described in more detail in Recommendation 4 Insider trading and order book information.

All employees of investment firms also have a general duty of confidentiality in relation to what the employee becomes aware of about the circumstances of others during their activities. The duty of confidentiality includes, among other things, who is the company's client (customer). The duty of confidentiality for investment services activities does not distinguish between sensitive and neutral customer information.

However, the duty of confidentiality shall not prevent the exchange of information between persons with an objective or official need for the information (e.g. employees in control functions, contractual counterparties or advisers). In such cases, too, an assessment must be made of how much of the

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[6] Section 2-2 of the Securities Regulations, cf. Commission Regulation (EU) 2017/565 Articles 37-43,

information needs to be shared. In the case of inside information, and the persons with whom the information is to be shared are considered to be the right person, it must be stated that the information constitutes inside information and the persons in question must be entered on an insider list.

If information about an ongoing or previous assignment is to be provided in an research or marketing material, explicit consent must be obtained from the client. Consent is not necessary if the assignment has been made public by the client through stock exchange announcements or legislation requires that the initially confidential information can or must be included in research.

5 Independence of analysts

5.1 Content of the research - requirements for objectivity

Research should reflect the analyst's current opinion of the issuer(s) or industry concerned. Investment firms, analysts themselves or other persons involved in the preparation of research shall not offer or promise the issuer(s) positive coverage or change recommendations/estimates either for the purpose of obtaining a corporate finance assignment or for any other reason.

5.2 Issuerpaid research

If the issuer or a third party pays for the preparation of the research, this must be clearly stated prominently in the research, for example by the term "issuer paid research", "sponsored research" or similar.

The payment for such research shall not have a structure or contain incentives that may affect the objectivity of the analyst. An example of this is an agreement that compensation/payment for research coverage will be deducted from fees for a possible upcoming corporate assignment.

An issuer's paid research shall meet all requirements for the content of research set out in Section 7 of this Standard, but shall not contain recommendations such as buy, hold, sell or underperform, market perform, overperform, etc. Nor can the research contain a target price. The research may include a valuation range on the company as a whole or per financial instrument.

5.3 Review and fact-checking when preparing research

Analysts shall not be subject to supervision, supervision or control by employees of the Corporate Finance department. If research contains a recommendation or price target, employees of the Corporate Finance department or the relevant issuer may not review or approve the research before it is published. If deemed necessary to verify the facts presented in the research or to detect any conflicts of interest, an edited version of the research, without price objectives and recommendation, may nevertheless be sent to the Corporate Finance department and/or the issuer firm. Such review may only take place with the permission of Compliance or the Chief Analyst. The person granting such a permit shall document and store the grounds for the permit.

For a pre-IPO research where the process is regulated through Research Guidelines, the Corporate Finance department will normally have access to draft research that is sent to the lawyers for review. A pre-IPO research has no recommendation or price target, but indicates a value range of the company. The Corporate Finance department may check the facts of the research, but shall not express any views or opinions on the indicated value range. The issuer shall only have access to an edited version of the draft research that does not contain the indicated value range or other information on the valuation of the company.

Investment firms shall establish good internal procedures to ensure that these requirements are complied with.

5.4 Remuneration

The analysts' bonuses or other remuneration shall not be directly linked to specific corporate finance assignments. The research must state whether the analyst receives a bonus from the enterprise's general bonus scheme. The enterprise should also consider whether it should be disclosed in the research if the analyst receives a significant proportion of the enterprise's profits in the form of share dividends or other forms of remuneration.

6 Blackout periods with regard 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 stipulated and stipulated in Research guidelines or equivalent guidelines for the individual transaction, the following restrictions apply:

6.1 Equity research

In the case of a public offering or resale, research shall not be prepared and distributed[7] later than seven days before the publication of the prospectus or earlier than thirty days after the last day of the subscription period for the issue shares or resale.

An *IPO* shall not prepare and distribute research later than seven days before the prospectus is published or earlier than thirty days after the first day of listing.

In the case *of private placements, the need for restrictions on the preparation and distribution of research shall be considered, including, if applicable, the length of the restriction.*[8]

When *listing on Norwegian MTF*, *research* with price targets and/or recommendations shall not be prepared and distributed earlier than fourteen days after the first day of listing. If a prospectus is prepared in connection with such listing, the same restrictions on preparation and distribution apply as for IPO.

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

However, research may also be prepared and distributed during such blackout periods if material company-specific news emerges or material events occur concerning the issuer company. This requires prior clearance by the Chief Analyst or Compliance. In such cases, investment firms should particularly clarify the conflict of interest, for example by including a text on the front page of the research and consider whether or not to include a recommendation and price targets.

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[7] In this context, "distribution" means any form of publication or dissemination.

[8] The need for restrictions on private placements shall primarily be assessed in relation to whether the offer is close to the prospectus obligation.

6.2 Credit research

When issuing bonds, consideration shall be given to the need for restrictions on the preparation and distribution of analysis, including, if applicable, the length of the restriction[9]. Normal practice for bond issuances is to produce a "pre-issue" report without recommendation, which is distributed in connection with launch. For a pre-issue report, a specific assessment should be made of the need for restrictions in relation to individual jurisdictions and for specific disclaimers.

6.3 Knock on effect

The above restrictions apply separately to the preparation and distribution of equity research in connection with the issuance or listing of shares, and to the preparation and distribution of credit research by bond issuance or listing of bonds. This means that, as a general rule, no stipulating period or other restrictions are required for the preparation and distribution of equity research in connection with a mandate for issuing bonds, and correspondingly, no stipulated period or other restrictions are normally required for the preparation and distribution of credit research in connection with a mandate for share issues. However, a quiet period or restrictions may be required in certain situations, for example in a situation where the issuer company is going through a major restructuring. An important factor will be the type of transaction and the length of time the transaction passes.

The Chief Analyst or Compliance shall consider whether restrictions should be introduced for both equity research and credit research in cases as mentioned.

7 Content requirements for research[10]

7.1 Information about the person preparing research

The following information shall be provided:

- Name and job title of the analyst who prepared the research, as well as corresponding information about anyone else who has been involved in the preparation of the research.
- Name of the legal entity responsible for its preparation
- Name of supervisory authority

7.2 General requirements

The person who prepares research shall ensure that the following requirements are met:

1. a clear distinction shall be made between facts and interpretations, assessments, opinions and other non-factual information,
2. that all significant sources are clearly stated*
3. that all sources are considered reliable. Any doubts about the reliability of a source must be clearly stated,
4. that all projections, forecasts, price targets and price estimates are clearly stated as such, and that the essential assumptions in their preparation or use are clearly stated
5. that the date and time of completion of the research are clearly marked*

[9] The need for restrictions on bond issuance shall primarily be assessed with a view to analyses with a recommendation during the period when the transaction is "open" and known in the market.

[10] Section 3-1 no. 11 of the Securities Regulations, cf. Commission Regulation EU 2016/958

6. that it is stated whether the research has been made known to the issuer and, if so, whether it was amended thereafter;
7. that a summary be provided of the basis for the valuation or method and the underlying assessments used either in assessing a financial instrument or issuer or in determining a price target, as well as an indication and summary of any changes to the valuation, method or underlying valuation,*
8. that information is provided on how detailed information on models used for the valuation or method and the underlying assessments is directly and readily available*;
9. that an account has been provided of the significance of the content of the recommendations made, such as buy, sell or hold, including the time horizon for the investment to which the recommendation relates, and that an appropriate risk warning has been issued that includes a sensitivity analysis of the assumptions;
10. disclosure of the frequency of any scheduled updates and any major changes to previously announced policies governing coverage of the financial instrument or issuer;
11. the date and time of prices on financial instruments must be mentioned in the research;
12. disclosure of any changes to the recommendation of the research in relation to previous recommendations on the same financial instrument or issuer prepared during the twelve preceding months, as well as the date of the previous recommendation;
13. the existence of a list of all research relating to financial instruments or issuers prepared in the last 12 months in which the following shall be indicated for each research: the date of preparation, the identity of the natural person(s) who prepared the research, the price target and the relevant market price at the time of distribution, the direction of the recommendation and the validity period of the price target or recommendation*.
14. At a minimum, a link to the issuer's sustainability reporting must be provided, either directly or to another relevant website.[11]

* Illumination points marked asterisk may be omitted if the information required is not proportionate to the length or shape of the research, see section 7.7.

7.3 General requirements for information on conflicts of interest

The analyst shall clearly disclose all his or her own interests and conflicts of interest that can reasonably be expected to affect the objectivity of the research. This also applies in relation to other persons who have been involved in the preparation of the research.

The following matters must always be disclosed:

- whether the analyst himself or other persons who prepared the research have a non-insignificant ownership interest or other financial interest in one or more of the financial instruments to which the research relates;
- whether there is a non-negligible 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.

[11] Item 14 goes beyond the requirements of Commission Regulation 2016/958, cf. Section 3-1 no. 11 of the Securities Regulations

In addition, information shall be provided about the interests or conflicts of interest of the investment firm's own and related legal persons if it can reasonably be expected that such interests are known to the analyst or other natural persons involved in the preparation of the research, and any other natural persons who can reasonably be expected to have had access to the research before it was distributed or publicly known.

The duty of disclosure in the legislation is modified by the fact that there is no obligation for investment firms *"to breach effective information barriers established to avoid conflicts of interest between the firm's departments"*. The provisions in the legislation cover both information that is initially public and information that is basically confidential. Information about ownership interests in a private limited company is normally publicly available information. Even if there is no publicly available information (foreign company), information about one's own ownership interest in a company will normally not violate public or internal confidentiality. Information about "other (not insignificant) financial interests", on the other hand, can easily be information that is subject to a duty of confidentiality. For example, it is obvious that a bank's credit department cannot provide information to analysts at the bank's investment firms about the issuer's credit commitments. Then, of course, there will be no obligation to include this type of information in the research.

7.4 Additional requirements for information on conflicts of interest

The research should as a minimum describe the following:

1. The entity's net position in the issuer if it exceeds the threshold of 0.5 percent of the issuer's total issued share capital, including a declaration of whether it is an ownership or short position[12].
2. the issuer's ownership of shares in the investment firm or related legal entities, if the ownership exceeds five per cent of the share capital or can reasonably be expected to affect the objectivity of the research, as well as other non-insignificant financial interest of the investment firm or related legal entities in relation to the issuer;
3. if applicable, that the investment firm or associated legal entities are market makers or liquidity providers in the relevant financial instruments;
4. if applicable, that the investment firm or related legal entity has acted as lead manager or co-lead manager in relation to financial instruments issued by the relevant issuer in the last twelve months; (*)
5. if applicable, that investment firms or other persons belonging to the same group have a contractual relationship with the issuer regarding the provision of investment services or ancillary services, provided that such disclosure will not reveal trade or operating secrets and the agreement has been in force within the last twelve months, or that an obligation to pay or receive compensation has arisen during the same period;
6. if applicable, that the person or other persons belonging to the same group are parties 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 aim of preventing and avoiding conflicts of interest in the preparation of research

[12] Calculated in accordance with EU Regulation no 236/2012 and Chapters III and IV of Commission Delegated Regulation (EU) no 918/2012,

8 publish at least quarterly the proportion of prepared recommendations that belong to the category buy, sell, hold or equivalent, and what proportion of issuers corresponding to each of these categories to which investment firms have provided non-insignificant "investment banking services" (Corporate Finance assignments) during the last twelve months.

(*) It is VPFF's view that it is not necessary to provide such information if the investment firm's mission has been merely to be the place of subscription (receive orders).

7.5 Location of information

Information that the firm is required to disclose in investment research pursuant to the above provisions shall preferably be included collectively in an appropriate place in the research. At the beginning of the research, a declaration must be included stating that the research contains such information and stating where in the research these can be found.

Information pursuant to Section 7.4(4) shall appear on the front page of the research for at least two calendar months after the enterprise has completed such an assignment.

7.6 Research involving multiple companies or one or more industry(s)

In research involving six or more companies or one or more industries, as well as in reports (monthly reports and the like), it may either be included in the research the information required to be included pursuant to Chapter 7 or include a general disclosure of the possibility that the enterprise has a Corporate Finance assignment and/or that the enterprise or employees may have holdings in the companies mentioned.

With regard to the latter alternative, it is a prerequisite that the research falls within the definition and rules that apply to "research of limited scope" in Section 7.7. In such cases, information about the facts must be provided, for example on the firm's website or by the firm providing information upon request.

7.7 Limited scope research and oral research

To the extent that compliance with the requirements of subsections 2,5,7,9 and 14 of Section 7.2 is not reasonably proportionate to the length or form of the research presented, or in the case of an oral presentation, it is sufficient to clearly refer to a place where the public can easily and directly access the necessary information, for example on the investment firm's website.

7.8 Broker's duty of disclosure of own holdings[13]

Brokers may be obliged to disclose to customers their own holdings of shares in connection with sales work in connection with share issue/resale, and when advising on purchases or sales in the secondary market if the employee owns shares in the company to which the advice relates and the shares have a not insignificant economic value for the employee in question.

The investment firm's internal guidelines should include a more detailed definition of what is to be regarded as a position subject to the duty of disclosure, as well as how any duty of disclosure is to be fulfilled. A decision should also be made as to whether employees holding such positions as mentioned in individual shares should be able to act as broker/market-maker in the same share.

[13] This goes beyond the requirements of the law.

In order to prevent an employee, who holds such positions as mentioned above, from becoming in a difficult position in relation to his or her advice to customers, the enterprise shall stipulate in its internal guidelines that active advice from the employee with regard to purchase or sale shall be based solely on the company's research. If the company has not prepared research related to a company's shares, it shall only perform a "passive" brokerage, i.e. avoid giving any advice to customers.

7.9 Analyst's duty to disclose their own holdings [14]

If *the analyst or his legal related parties,* [15]directly or indirectly, hold holdings in the financial instruments covered by the research, the total size of this holding shall be disclosed in the research.

Each investment firm must also assess whether *there are other employees* in the firm who should be named in the research, because they own financial instruments in the company directly or indirectly that are not of immaterial importance to their personal finances. If this is the case, the size of the person's inventory shall be disclosed.

7.10 Analysts' assistance in corporate finance assignments ("Wall Crossing") [16]

The research shall state if the analyst has provided such assistance as mentioned in 10.3. to the Corporate Finance department in connection with a published corporate finance assignment that the investment firm has had for the company during the 12 months prior to publication of the research.

7.11 Other written and electronic material (prospectus, etc.)[17]

The firms should refer in such material, as far as possible, to the fact that the firm and/or its employees may hold financial instruments in one or more of the companies referred to and that more detailed information may be provided by contacting the investment firm or that information can be found on the firm's website.

7.12 Information to the media[18]

If analysts or other employees of investment firms comment on a company in the media, they should, as far as practicable, provide information about their own holdings in the company. The analyst or other employee is not responsible for whether or not such information is disclosed by the media.

8 Content requirements for marketing materials

The following information shall be included in marketing material:

- The total size of the person who has prepared the material and/or his/her close associates'[19] holdings of financial instruments issued by the enterprise to which the marketing material relates.

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[14] This goes beyond the requirements of the law.

[15] Cf. vphl § 2-5

[16] This goes beyond the requirements of the law.

[17] This goes beyond the requirements of the law.

[18] This goes beyond the requirements of the law.

[19] Cf. vphl § 2-5

- Information about the person in question and related parties' possible board membership and/or employment in the enterprise to which the marketing material relates, at the time of publication of the research.
- Whether investment firms may have separate holdings of financial instruments issued by the firm to which the marketing material relates. This does not apply to holdings resulting from the enterprise's own trading as part of investment services activities.
- Whether the investment firm has had corporate assignments for the firm during the last 12 months.
- That the analyst does not receive a bonus related to the specific assignment in which the marketing material may have been prepared.

Section 7.7 of this Standard applies accordingly.

9 Requirements relating to internal organisation in investment firms

The requirements in this chapter must be adapted to the nature of the business, including whether the corporate finance assignment relates to financial instruments to which the insider trading provisions apply. Undertakings should consider whether assignments relating to other financial instruments/issuers should also be assessed in the same way. In particular, undertakings must bear in mind that misuse of "inside information" about financial instruments not traded on a trading venue or about unlisted companies may constitute a breach of other provisions of legislation and/or standards of good business practice.

9.1 Separate provisions on underwriting and placements

EU legislation contains separate provisions on conflicts of interest that apply when investment firms undertake assignments to establish a full subscription guarantee or carry out the placement of financial instruments.[20] The provisions are discussed in more detail in VPFF's Information Note No. 6. The main points are:

- Investment firms that advise companies on financing strategies and provide underwriting or placement of financial instruments are obliged to provide issuers (principals) with a number of information before entering into mandate agreements.
- Investment firms must have a centralised process – an Engagement Committee[21] (EC) – to identify potential conflicts of interest before the investment firm undertakes an assignment for underwriting or placement.
- If the investment firm cannot manage a conflict of interest by implementing appropriate procedures, the investment firm shall not undertake the assignment.
- Investment firms shall have systems, controls and procedures in place to identify and prevent or manage conflicts of interest arising from a possible under- or over-pricing of an offer, or as a result of the participation of relevant parties in the process.

Furthermore, the rules on underwriting and placements include:

[20] EU 2017/565 art 38 – 43.

[21] In this context, we refer to Recommendation 10 Managing certain conflicts of interest where the tasks and responsibilities of the Engagement Committee are described.

- Provisions prohibiting advantageous awards aimed at influencing customers to act more actively or pay higher commissions for other services.
- Special "be aware rules" when placing offers where investment firms receive facilitator fees and/or where investment firms participate in the placement of financial instruments issued by their own firm. The same applies if a new issue, for example a bond loan, is to be used to repay other credit that the enterprise has provided to the issuer.
- A "be aware rule" also applies if a new issue, such as a bond loan, is to be used to repay other credit that the enterprise has provided to the same issuer.

9.2 Internal duty of confidentiality with regard to corporate finance assignments

Investment firms that undertake a corporate finance assignment shall ensure that the assignment is not made known to other employees in the firm than those who work on the specific assignment or who must be familiar with the assignment in order to avoid conflicts of interest, such as EC. Reference is made to a brief discussion of EC in section 9.1 above.

The enterprise must have procedures for assessing and, if relevant, approving whether there is a need for other employees outside the Corporate Finance department and EC to be made aware of the assignment, for example certain employees in settlement and risk management. This can be organised, for example, by the authorised person approving each individual case or by compliance pre-approving entities or individuals who can be contacted. Anyone who becomes aware of the Corporate Finance assignment must immediately be placed on an insider list if the assignment involves handling inside information.

The enterprise shall seek to ensure that its activities continue as normal so that no indications are given either internally or externally about the specific assignment, including who and what the assignment relates to.

9.3 Assignment list ("observation list")

An assignment list or observation list shall be established containing an overview of all Corporate Finance assignments and specific indications of such. The list shall be available in its entirety only to EC, the Executive Director of the Company, the actual head of the Corporate Finance department and the relevant Compliance of the Company.

Compliance shall take adequate measures, depending on the size and organisation of the undertaking, to adequately monitor the transactions of the entity and its employees in the financial instruments linked to the issuing companies on the observation list.

When a company is placed on an observation list, adequate measures shall be introduced with a view to preventing the information from being exploited by the employee(s) holding such information, by the investment firm itself or by its customers. This includes taking adequate measures to ensure:

- that no employee of the investment firm who has inside information advises clients regarding trading in the Company's financial instruments (execution of orders submitted by clients (passive brokerage) is exempt);
- that own trading as part of the enterprise's investment service activities (market-making and systematic internalisation) is continuously observed and controlled

The firm must also consider whether restrictions should be imposed on

- The enterprise's own trading as part of ordinary investment management ("prop trading") in the relevant financial instruments
- Employees own-account trading

10 Analyst's assistance in Corporate Finance assignments

Analysts shall not participate in activities other than the preparation of research if these activities are not compatible with the analyst maintaining his objectivity. A thorough assessment by both the analyst himself, the analyst's superior and Compliance is required if the analyst is to engage in any kind of activities related to the Corporate Finance department. In making such an assessment, one should consider not only the independent ability of the analyst to preserve his objectivity, but also the potential reactions and perceptions among clients and other stakeholders. Below are some examples of activities in which analysts may participate assuming that the nature of the activity is such that the objectivity of the analyst is preserved.

10.1 General assistance

The analyst may participate in the following activities

- The analyst can assist the Corporate Finance department with ideas for possible transactions as long as communication only goes one way; from the analyst to the Corporate Finance department.
- The analyst can advise the Corporate Finance department on the pricing and structuring of a corporate transaction and on the expected investor interest.

10.2 Participation in marketing activities

An analyst may only engage in certain marketing activities of a relevant assignment provided that the analyst acts on his own and appears as an independent representative from the research department and not as a representative of the Corporate Finance department and/or the issuer company. This may, for example, be if the issuer company asks during an open tender phase to hear one or more analysts' views on the company's development, plans for research coverage or similar.

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

10.3 Participation in Corporate Finance missions ("Wall Crossing")

Analyst who provides assistance to the Corporate Finance department, i.e. has an active role in the project of a certain duration in connection with a corporate finance assignment, cannot initiate research concerning the company(s) to which the assignment relates, or assist other analysts with the same as long as the analyst provides such assistance. The Compliance or Chief Analyst shall ensure that during such periods the analyst is subject to restrictions that are adequate to the extent of the assistance the analyst provides to the Corporate Finance department.

If an analyst assisting in the work on a corporate finance assignment receives inside information, he or she shall not prepare research until at least six months after the assignment was completed. Nor shall the analyst assist other analysts who prepare research regarding the same company during this period. It is a prerequisite for the preparation of research after the expiry of the six-month deadline that the information received by the analyst is no longer to be regarded as inside information.

If the information received by the analyst in connection with the Corporate Finance assignment is made public through a stock exchange announcement, prospectus, financial reporting or other presentation, the analyst may nevertheless prepare an research before the expiry of the six-month deadline in the second paragraph. In such a case, at least two trading days shall elapse between the publication of the information and the publication of research containing a recommendation or price target. The compliance or head of research shall clarify whether the research can be made public, including whether the deadline of two trading days should be extended.

11 Rules for analysts and affiliated persons proprietary trading

Analysts may not prepare or participate in the preparation of research of financial instruments in issuers in which he or she owns financial instruments. The Compliance and/or Chief Analyst shall consider whether the prohibition should also apply similarly to ownership interests in other issuers in the same sector/industry.

Any sale of Financial Instruments prior to commencing as an analyst for the Financial Instrument and/or issuer must be completed as soon as the entity asks the analyst to prepare to take up coverage, no later than one month prior to the scheduled date for publication of the research. Compliance may provide exemptions from the deadline for completion of sales.

After further consideration by the Chief Analyst and Compliance, it may be permitted for the analyst to retain financial instruments acquired;

- less than 3 months prior to starting as an analyst for the financial instrument and/or issuer.
- by other means than by purchase; e.g. inheritance and merger consideration.

If the analyst has been granted such authorisation as mentioned in the third subsection, the following provisions apply:

- Analyst cannot sell unless the last recommendation is sell. Compliance may in special cases grant exemption from this provision.
- Analysts may not sell until at least one week after their research (with sell recommendation) has been published. The restriction on sales applies even if any lock-in period has expired.
- 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 are obliged to disclose their own holdings as set out in section 7.9.

Associated persons[22] with knowledge of:

(1) the probable time of publication of the research;

(2) content of the research that is not available to customers or the public, or

(3) content of the investment research that cannot easily be inferred from publicly available information

may not trade on its own account or on behalf of others (including the investment firm's account) in financial instruments covered by the research or a derived financial instrument until the recipients of the research have had a reasonable opportunity to act on the basis of the research.

[22] See definition in the appendix

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.