

THE NORWEGIAN SECURITIES DEALERS ASSOCIATION

RECOMMENDATION NO. 5

Recommended guidelines for employees' own-account trading

This recommendation was originally adopted by the board of the Norwegian Securities Dealers Association on 17 August 1999 and it entered into force on 1 September 1999 and has been amended several times. As a result of the implementation of MiFID II and the new Securities Trading Act of 15 June 2018, the board adopted this revised recommendation on 23 October 2018. It entered into force on 1 January 2019. Item 6, 7th paragraph was corrected on 5 March 2020.

This recommendation was adopted by the board of the Norwegian Securities Dealers Association on 23 October 2018. It applies in addition to the prevailing statutory and regulatory provisions that regulate employees' own-account trading.

The recommendation is an adaptation to the MiFID II regulations, which presume that firms have their own routines for dealing with conflicts of interest relating to employees' own-account trading. Previously, own-account trading was regulated in Norwegian special legislation, with among other things a 12-month lock-in period. The fact that it is up to the firms to regulate own-account trading requires them to have a body of routines/adequate schemes that ensure good business practice.

The board has carefully considered what line the Norwegian Securities Dealers Association is to take regarding such things as the lock-in period and other restrictions on own-account trading. Based on the purpose of these guidelines and in order to prevent conflicts of interest, the board recommends, among other things, a lock-in period of at least three months when financial instruments are purchased, the prior authorisation of trades, and some special restrictions in connection with, for example, corporate assignments. The recommended guidelines for employees' own-account trading are more restrictive than the corresponding guidelines in other Nordic countries, whose industry rules state a lock-in period of one month, for example.

Firms can prepare guidelines that are more restrictive and detailed than those stated in the recommendation.

1 The purpose of the guidelines

The purpose of these guidelines is to ensure that employees' trade in financial instruments does not conflict with the interests of clients or the employer firm. Employees must be unable to exploit their position or have special advantages over clients when trading in financial instruments. Employees must also be prohibited from utilising information that is not available to clients to their own advantage.

2 Due care

In the case of own-account trading, employees undertake to demonstrate due care in accordance with this recommendation's purpose, and to avoid their own acts possibly leading to less confidence in the firm's or employee's impartiality when providing investment services.

3 Who the guidelines apply to

These guidelines apply to employees¹ of all the investment firms that are members of the Norwegian Securities Dealers Association. The guidelines also apply to the investment firms' tied agents.

¹ In some cases, the guidelines also apply to "associated persons", see item 14.

The concept of an "employee" also covers other persons who deal with, or have access to, the firm's investment services, such as board members or silent partners in internal partnerships where the firm is the principal.

The firm must have internal rules governing the employees and other persons that are covered by these guidelines.

4 What the guidelines apply to

The guidelines apply to own-account trading in financial instruments as defined in the Securities Trading Act. The guidelines apply correspondingly to trades carried out by employees for the account of associated persons and to trades where the employee in some other way contributes to an associated person's trade, see item 14 below.

The guidelines also apply to all insurance and pension products and unit-linked products where employees can themselves make investment choices linked to specific financial instruments, with the exception of choosing/swapping mutual/securities funds.

5 Authorisation in advance

Own-account trading must be authorised in advance in writing or in some other documentable manner by the person that the firm has appointed for this task. If the person responsible for authorisation is to carry out own-account trading him/herself, this trade must be authorised by a superior.

Once a relevant trade has been authorised, it must be carried out within the period stipulated in the firm's routines or in the authorisation.

When considering the granting of advance authorisation, whether or not the trade conflicts with the firm's list of assignments or client orders must be taken into account, among other things.

There is no duty to obtain authorisation for transactions covered by an active management agreement provided the active manager and person who is subject to these guidelines have had no prior communication in connection with the transaction.

There is no requirement of advance authorisation for own-account trading in mutual/securities funds.

6 Restrictions on and prohibitions against trading

Employees may not themselves register their own-account orders in the firm's order-processing system unless they use a standard online-trading solution.

Both the employee him/herself and a person executing orders for an employee undertake to assess whether the trade may conflict with the firm's duty to safeguard clients' interests pursuant to the regulations governing the best execution of client orders. In such assessments, emphasis must be placed on the liquidity of the financial instrument that the employee wants to trade in, the order situation and market conditions. The employee or party executing the

order must especially ensure that the good business practice provisions in the Securities Trading Act are also complied with.

If the investment firm permits an employee to trade in derivatives, carry out short sales or debt-finance the purchase of financial instruments, the employee has a particular responsibility to consider whether the conflicts of interest that may exist in such trades weigh so heavily that the trade should not be executed.

The employee undertakes to refrain from trading if executing the trade may conflict with the obligations which follow from paragraphs two or three. This does not apply to subscriptions in accordance with a pre-emptive right pursuant to the Limited Liability Companies Act or Public Limited Liability Companies Act, or to the acceptance of an offer to all shareholders on equal terms.

The execution of an order for an employee in the opposite direction of a client order will not normally be regarded as being in conflict with the regulations. If there is a client order stipulating a limit or other conditions, it must be specifically assessed whether the employee's order can be executed.

The assessment of whether an employee's order may conflict with the regulations should be carried out as close as possible to the time when the order is to be executed.

When the firm has been the lead manager or co-lead manager for a raising of capital or initial public offering, employees subject to the guidelines may not buy financial instruments that have been issued by the issuer in question or whose value depends on the issuer's shares, until the day following the publication of the first periodic report/public accounting report after the transaction has been completed.

In the case of share issues or dispersion sales of shares and equity certificates arranged by the firm, the employee may take part in the normal manner provided no other guidelines are issued in each case. In the case of over-subscription, the employee may not receive an allotment. The above applies in the same way if the firm is the lead manager in a project company. The prohibition against allotment in the case of over-subscription does not apply to rights issues where the employee subscribes in accordance with a pre-emptive right pursuant to the Limited Liability Companies Act or Public Limited Liability Companies Act.

The firm's employees may not participate in underwriting syndicates for the full subscription of share issues or dispersion sales arranged by the firm.

7 Research

Employees who are working on, or in some other way know the content of, research or a report may not trade in financial instruments for their own account if they know that the investment firm will publish research or a report on the issuer of the instrument in question that, when published, may affect the price of the instrument. The aforementioned employees also may not trade in financial instruments for their own account on the same day as the firm publishes research or a report on the issuer of the instrument in question.

The above also applies to trading in financial instruments derived from the financial instrument mentioned in the research/report.

An analyst's own-account trading is regulated with binding force by item 8 of the Norwegian Securities Dealers Association's industry standard no. 3².

8 The employees' duty to disclose their own holdings when providing investment advice

On a general basis, employees who provide investment advice should demonstrate special care when giving advice on financial instruments in which the employee has financial interests.

If the employee owns shares whose value to him/her is not insignificant, the employee may be liable to disclose his/her own shareholdings to clients in connection with the provision of investment advice and similar sales work.

Additional requirements for investment firms linked to the above follow from item 9.8 of the Norwegian Securities Dealers Association's industry standard no. 3. This standard is binding on the firms that are members of the Norwegian Securities Dealers Association.

9 Corporate finance employees, etc

Employees of the corporate department must show special care when trading for their own account in companies that the corporate department has, or has had, assignments for.

When the corporate department has/had had an assignment for a company, employees of the corporate department may not buy financial instruments that have been issued by the company or whose value depends on the company's shares until the day following publication of the company's first periodic report/public accounting report after the assignment has been completed. The same applies to employees outside the corporate department who knew about the assignment before it became publicly known.

10 Requirement as to impartiality

Employees may not take part in decisions linked to the firm's own-account trading in financial instruments issued by a company that the employee in question manages, has a leading position in or is a member of the board or corporate assembly of. Nor may employees take part in dealing with any issues that are so important to the employee in question or an associated person of this employee that the employee must be regarded as having a personal or financial special interest in the matter.

² "The relationship between corporate departments and research departments. Handling of conflicts of interest and content requirements for research"

11 Reporting

When hired and during the employment relationship, the employee undertakes to give the firm an overview of all the financial instruments covered by the rules on own-account trading.

Employees must report the acquisition and realisation of financial instruments covered by these rules to the person appointed by the firm. Reporting is to take place as soon as the trade has been completed. The format and content of the report are to be determined by the individual firm. The firm shall keep a register of reported transactions, including advance authorisations and rejections. Registered information must be stored for at least three years.

Employees must also report all own-account trading that they do for the account of the employee's associated persons, see item 14. Trading carried out by the employee's associated persons themselves is not to be reported.

The duty to report does not apply to trading in UCITS funds and trades carried out subject to an active-management agreement.

12 Lock-in period

Employees who are subject to these guidelines are to have a lock-in period of at least three months³. A lock-in period is the period of time during which the employee may not dispose of financial instruments that are acquired through purchases or swaps.

The lock-in period starts on the date of the trade. In the case of subscriptions, the allotment date is regarded as the date of the purchase agreement. Shares acquired in a bonus issue or some other distribution by the company are counted as being acquired on the same date as the "parent share".

The "first in – first out" principle is to be applied.

There is no lock-in period for financial instruments acquired through inheritance, a gift, the administration and division of joint property, or a similar form of acquisition.

Shares may be realised before the expiry of the lock-in period if the realisation takes place through the acceptance of an offer to buy all the shares in a company made to all the shareholders on equal terms and conditions and the shares were acquired before the acquisition offer became known.

The lock-in period does not apply to the realisation of shares and equity certificates issued by the employer firm (or a company in the same group of companies as the employer firm) when the instruments are acquired as a result of utilising option or subscription-rights programmes for the employees and the realisation takes place within one month of the employee receiving the instruments.

³ Examples: if the trading date is 10 May, the earliest date when a realisation can take place is 10 August. If the trading date is 31 March, the earliest date when a realisation can take place is 1 July, i.e. the first subsequent day of the next month if the date in question does not exist in the month that is three months after the trading date.

Employees must wait for one month after the sale of a financial instrument before they can buy more of the same instrument.

There is no requirement of a lock-in period if an active-management agreement has been entered into, provided there has been no prior communication relating to the transaction between the active manager and the person who is subject to these guidelines. There is also no lock-in period requirement for trading in mutual/securities funds.

Passive trading as a result of an enforced sale, the redemption of sold derivatives or recall of borrowed shares that have been sold short is not regarded as a breach of the lock-in period.

Circumventing the lock-in period or other provisions in these guidelines, for example by using derivatives and/or short trading, is not permitted.

13 Exemptions

The firm may grant an exemption from the lock-in period if there are special circumstances, such as a change in family circumstances, residence, etc.

The firm may grant other exemptions from these rules in special circumstances. Exemptions must be documented in writing.

14 Associated persons

All trades, including purchases, sales or subscriptions, carried out by the employee for the account of associated persons are covered by the above rules. The same applies to trades that the associated person executes in consultation with the employee, or where the employee in question participates in the associated person's trade in some other way. Associated persons can themselves execute trades via the online-trading solution of the employee's employer.

Employees undertake to inform their associated persons of the rules and guidelines for own-account trading.

An "associated person" is the employee's spouse or person that the employee lives with in a marriage-like relationship (cohabitant), an underage child of the employee, an underage child of the employee's spouse or a person that the employee lives with in a marriage-like relationship (cohabitant), and a company in which the employee or one of the aforementioned persons has the influence stated in section 1-3 subsection 2 of the Limited Liability Companies Act, section 1-3 subsection 2 of the Public Limited Liability Companies Act or section 1-2 subsection 2 of the Partnerships Act. An associated person is also a person with whom the employee has such links⁴ that the employee has a direct or indirect material interest in the outcome of the trade, with the exception of a fee or commission for executing the trade.

Item 8 of the Norwegian Securities Dealers Association's industry standard no. 3 contains binding rules on trading in financial instruments that are applicable to an analyst's associated persons.

⁴ For example, membership of savings clubs.

15 The firm's obligations

The firm must have internal rules that ensure effective control of compliance with the guidelines.

The firm must inform the employees of the content of rules and guidelines for own-account trading.