

# Finansinspektionen's Regulatory Code

Publisher: Gent Jansson, Finansinspektionen, Box 6750, 113 85 Stockholm.

Ordering address: Thomson Fakta AB, Box 6430, 113 82 Stockholm. Tel. +46 8-587 671 00, Fax +46 8-587 671 71.

Subscribe also by e-mail at [www.fi.se](http://www.fi.se).

ISSN 1102-7460

This translation is furnished for informational purposes only and is not itself a legal document.

---

**FFFS 2005:9**

Published on  
27 June 2005

## **Finansinspektionen's regulations and general guidelines regarding investment recommendations directed to the general public and the management of conflicts of interest;**

decided on 14 June 2005.

Finansinspektionen prescribes<sup>1</sup> the following pursuant to section 2, subsection 4 of the Securities Market (Trading and Services) Ordinance (1991:1007).

Below the paragraphed regulations, Finansinspektionen provides General Guidelines.

### **Chapter 1 Scope and definitions**

**Section 1** Finansinspektionen intends with these regulations and general guidelines to prevent the risk for improper market manipulation via the dissemination of false or misleading information in investment recommendations.

**Section 2** The regulations shall be applied by parties that professionally produce or disseminate information containing direct or indirect recommendations regarding investments in financial instruments (investment recommendations), if the information is intended for dissemination to the general public.

For firms whose main business is producing investment recommendations, special provisions are set out in Chapters 3–4 with additional requirements.

#### *General guidelines*

An investment recommendation should be considered to be intended for dissemination to the general public if the purpose is that it shall be made available to a large number of persons either

1. directly, via dissemination by the party producing the recommendation using its own resources, or
2. indirectly, by being made available via a distribution channel.

Individual advice to a customer or investment recommendations intended for a limited audience of qualifying investors should not be considered to be intended for dissemination to the general public.

---

<sup>1</sup> Cf. Commission Directive 2003/125/EC of 22 December 2003 implementing the European Parliament and the Council Directive 2003/6/EC as regards the fair presentation of investment recommendations and the disclosure of conflicts of interest (EUT L339, 22.12.2003 p. 73, Celex 32003L0125).

**Section 3** These regulations shall be applied to written investment recommendations and where applicable to investment recommendations presented in non-written forms.

*General guidelines*

If an investment recommendation is provided in non-written form, the person responsible for the recommendation shall strive to ensure that the general public to the greatest extent possible receives equivalent information.

Where appropriate, for example in respect of information about the party producing and/or responsible for an investment recommendation, the information can be made available on the responsible party's website.

**Section 4** These regulations shall not be applied if they conflict with provisions laid down by law governing freedom of the press and freedom of expression.

**Section 5** In these regulations and general guidelines, the following definitions apply:

1. *issuer*: issuer of financial instruments to which the recommendation relates, either directly or indirectly,
2. *financial instruments*: financial instruments as set out in section 6 of the Financial Instruments Trading (Market Abuse Penalties) Act (2005:377),
3. *firms whose main business is to produce investment recommendations*: independent analysts, credit institutions, investment firms and other physical and natural persons whose main business is to produce investment recommendations,
4. *investment recommendation*: a recommendation as set out in Chapter 5a, sections 1 and 3 of the Financial Instruments Trading Act (1991:980),
5. *credit institution*: credit institutions as set out in Chapter 1, section 2, subsection 3 of the Securities Business Act (1991:981),
6. *related legal person*:
  - in respect of a natural person, a legal person over whom the natural person has significant influence,
  - in respect of a legal person, a legal person in a group within the meaning of Chapter 1, sections 5–6 of the Companies Act (1975:1385), where that set out about parent companies shall also apply to legal persons other than limited liability companies,
7. *securities institution*: securities institutions as set out in Chapter 1, section 2, subsection 4 of the Securities Business Act (1991:981).

**Chapter 2 Information regarding the party producing and responsible for investment recommendations**

**Section 1** An investment recommendation shall disclose the following information:

1. name and job title of the natural person(s) who produced the recommendation, and
2. name of the legal or natural person responsible for the recommendation.

**Section 2** If a credit or securities institution is responsible for an investment recommendation, the recommendation shall include a disclosure that the institution is under the supervision of Finansinspektionen.

If a third party is responsible for the recommendation and this party is subject to self-regulatory standards, the recommendation shall include a disclosure of relevant standards or codes of conduct.

## **Chapter 3 Informational requirements for the presentation of investment recommendations**

### **General provisions**

**Section 1** An investment recommendation shall be presented fairly and accurately. The person responsible for the recommendation shall ensure that

1. facts are distinguished from interpretations or any other non-factual information,
2. sources are reliable, or that it is stated if they are not considered to be reliable,
3. forecasts are identified as short or long term, and the significant assumptions upon which these forecasts are based are specified, and
4. price targets are identified and the significant assumptions upon which these targets are based are specified.

**Section 2** Upon Finansinspektionen's request the person responsible for an investment recommendation shall be able to demonstrate that it is reasonable, e.g. by providing facts, sources and assumptions and identifying the valuation method(s) used.

### **Specific provisions for firms whose main business is to produce investment recommendations**

**Section 3** The provisions in sections 4–5 shall be applied by

1. firms whose main business is to produce investment recommendations,
2. related legal person to a firm referred to in point 1, and
3. a person who due to employment or assignment works for a firm or person set out in point 1 or 2.

**Section 4** An investment recommendation shall include information regarding

1. all significant sources,
2. the significant assumptions and valuation methods forming the basis for the valuation of the financial instrument or issuer,
3. planned updates of the investment recommendation,
4. significant changes in previously announced monitoring policies,
5. the date the investment recommendation was first made available for dissemination,
6. the date and time for any financial instrument prices given, and
7. any changes with regard to an investment recommendation issued during the past twelve months.

**Section 5** An investment recommendation shall also clearly explain the meaning of the recommendation with regard to its time horizon and the risks associated with an investment.

*General guidelines*

For investment recommendations with very short horizons, the information referred to in section 4, points 1 and 2 and section 5 may be made available in another manner. However, this provides that the general public can easily access the information and that a reference is included in the recommendation stating where the information can be found. If appropriate, the information can be made available on the responsible party's website.

## **Chapter 4 Reporting economic interests and conflicts of interest**

### **General provisions**

**Section 1** An investment recommendation shall include information about relationships that could influence its objectivity. In particular it shall specify if

1. the person who produced or is responsible for the recommendation or a related legal person has a significant economic interest in the financial instrument referred to in the recommendation, or
2. there is a significant conflict of interest in the relationship with the issuer referred to in the investment recommendation.

*General guidelines*

Investment recommendations with a very short horizon may present the information referred to section 1 in another manner. However, this provides that the general public can easily access the information and that a reference is included in the recommendation stating where the information can be found. If appropriate, the information can be made available on the responsible party's website.

### **Specific provisions for firms whose main business is to produce investment recommendations**

**Section 2** The provisions in section 3 shall be applied by

1. firms whose main business is to produce investment recommendations, and
2. a related legal person to a firm referred to in point 1.

**Section 3** An investment recommendation shall include information that clearly specifies if

1. when shareholdings exceeding 5 per cent of the total issued share capital of the issuer are held by the person who produced an investment recommendation, or

2. when shareholdings exceeding 5 per cent of the total issued share capital of the legal person who produced the recommendation are held by the issuer,
3. there are other significant economic interests in respect of the issuer,
4. the person who produced the recommendation or a related firm is a market maker or liquidity provider in the financial instruments of the issuer,
5. the person who produced the recommendation or a related firm during the past twelve months has been lead manager or co-lead manager of a publicly disclosed offer of financial instruments of the issuer,
6. the person who produced the recommendation or a related firm is party to any other agreement with the issuer relating to corporate finance assignments, provided that this would not entail the disclosure of confidential commercial information and that the agreement has been in effect over the past twelve months or has given rise during the same period to the payment of a compensation or the promise to get a compensation paid, and
7. the person who produced the recommendation or a related firm is party to an agreement with the issuer relating to the production of the recommendation.

### **Special provisions for credit institutions and securities institutions**

**Section 4** The provisions set out in sections 5–7 shall be applied by credit institutions and securities institutions.

**Section 5** An investment recommendation shall contain disclosures about the organisational and administrative rules that are set up for the prevention and avoidance of conflicts of interest.

**Section 6** An investment recommendation shall contain disclosures about the number of recommendations provided by the credit or securities institution in the past twelve months have been buy, hold or sell recommendations or the equivalent. This information shall be updated as a minimum on a quarterly basis.

Where the institution provided issuers with extensive corporate finance advisory services over the past twelve months, information shall be provided regarding how many of these services correspond to the categories specified in the first paragraph.

**Section 7** The investment recommendation shall specify if the person participating in the production of the recommendation received compensation tied to a corporate finance assignment from the issuer referred to in the recommendation.

Where this person also acquired shares in the issuer, the person shall, if the assignment entails participating in a public offering, disclose the date of the acquisition and the price at which the shares were acquired.

However, this information shall only be disclosed if the shares were acquired after the assignment was received but before the offering was made public.

#### *General guidelines*

Investment recommendations with a very short time horizon may present the information referred to sections 5–7 in an alternative manner. However, this provides that the general public can easily access the information and that a

reference is included in the recommendation stating where the information can be found. If appropriate, the information can be made available on the responsible party's website.

## **Chapter 5 Dissemination of investment recommendations produced by a third party**

### **General provisions**

**Section 1** An investment recommendation may be disseminated unmodified, modified or as a summary by a person other than the person who produced the recommendation.

A person disseminating an investment recommendation produced by a third party shall ensure that the recommendation clearly specifies information about the disseminator.

**Section 2** If a credit or securities institution or a natural person working for such an institution as an employee or on assignment disseminates an investment recommendation produced by a third party, the recommendation shall disclose that the institution is under the supervision of Finansinspektionen.

If the investment recommendation has not previously be disseminated to the general public, the provisions in Chapter 4, sections 3–7 shall be applied.

### **Significantly modified investment recommendations**

**Section 3** If an investment recommendation produced by a third party has been significantly modified in conjunction with its dissemination to the general public, detailed information about the modifications shall be disclosed.

If there has been a change of direction, e.g. a buy recommendation was changed to a hold or sell recommendation, the recommendation shall comply with the provisions set out in Chapters 2–3 and Chapter 4, section 1.

Where the change was effected by a credit or securities institution or a natural person employed by the institution, the provisions in Chapter 4, sections 3–7 shall also be applied.

**Section 4** If a credit or securities institution or any other legal person disseminate a significantly modified investment recommendation, internal rules shall be in place to ensure that the recipient has access to

- the original recommendation,
- information about who produced or is responsible for the recommendation and conflicts of interest affecting this person.

However, this only applies provided that the original recommendation was publicly disclosed.

**Summary of investment recommendations**

**Section 5** A person who disseminates a summary of an investment recommendation produced by a third party shall ensure that

1. the summary is clear and not misleading, and
2. the recommendation specifies sources as well as where information about these sources, provided they are available to the general public, can be found.

---

These regulations and general guidelines shall enter into force on 1 July 2005.

INGRID BONDE

Carina Larsson