

Finansinspektionen's Regulations

Publisher: Hans Schedin, Finansinspektionen, Box 6750, 113 85 Stockholm.
Ordering address: Thomson Fakta AB, Box 6430, 113 82 Stockholm. Tfn 08-587 671 00, Fax 08-587 671 71.
Subscription can also be made via e-mail: www.fi.se.
ISSN 1102-7460

FFFS 2002:7

Published
17 april 2002

Finansinspektionens (the Swedish Financial Supervisory Authority's) Regulations Governing Rules of Conduct on the Securities Market;

decided 20 March 2002.

Finansinspektionen hereby prescribes¹ the following by virtue of sections 1-2 of the Swedish Securities Market (Trading and Services) Ordinance (1991:1007).

Chapter 1. Scope

Section 1. These regulations contain the following provisions concerning securities operations:

Chapter 2.	General provisions
Chapter 3.	Compliance officer
Chapter 4.	Information from customers
Chapter 5.	Information to customers
Chapter 6.	Handling and documentation of business engagements
Chapter 7.	Employees and related parties' own transactions with financial instruments and foreign currencies
Chapter 8.	Allotment rules in conjunction with public tender offers, etc.
Chapter 9.	Suspension of trading
Chapter 10.	Reporting obligation in conjunction with trades regarding financial instruments
Chapter 11.	Contract notes

Section 2. Unless otherwise stated, investment firms, Swedish banking institutions which have been licensed to conduct securities operations, and foreign companies which conduct licensed securities' operations through branches in Sweden shall apply all the provisions of these regulations to their Swedish operations.

Section 3. Investment firms and Swedish banking institutions which have been licensed to conduct securities operations shall apply all the provisions of these regulations in respect of their operations through foreign branches which are directed abroad, with the exception of the provisions contained in:

Chapter 4.	Information from customers
Chapter 5.	Information to customers
Chapter 6.	Handling and documentation of business engagements
Chapter 9.	Suspension of trading
Chapter 11.	Contract notes

¹ See Council Directive 93/22/EEC of 10 May 1993 on investment services in the securities field.

Section 4. Investment firms and Swedish banking institutions which have been licensed to conduct securities operations shall apply all the provisions of these regulations to their cross-border operations which are directed abroad, with the exception of the provisions contained in:

- Chapter 4. Information from customers
- Chapter 5. Information to customers
- Chapter 6. Handling and documentation of business engagements
- Chapter 9. Suspension of trading

Section 5. Foreign companies which conduct securities operations in Sweden from pre-notified branches from the EEA, shall only apply the provisions set forth below for investment firms:

- Chapter 4. Information from customers
- Chapter 5. Information to customers
- Chapter 6. Handling and documentation of business engagements
- Chapter 9. Suspension of trading
- Chapter 11. Contract notes

Section 6. Foreign companies which conduct securities operations through other pre-notified cross-border operations from the EEA shall only apply the provisions set forth below for investment firms:

- Chapter 4. Information from customers
- Chapter 5. Information to customers
- Chapter 6. Handling and documentation of business engagements

Chapter 2. General provisions

Section 1. An investment firm must issue instructions governing the manner in which conflicts of interest shall be handled in connection with the performance of own transactions, engagements on behalf of issuers, and other customers.

Section 2. In the event the investment firm conducts what is commonly referred to as a corporate finance operations by virtue of a licence granted pursuant to Chapter 1, section 3, paragraph 1, sub-section 5 of the Swedish Securities Operations Act (1991:981) and, within the scope of such operations, also by virtue of Chapter 1, section 3, paragraph 1, sub-section 2 of the aforesaid Act, the corporate finance operations must be kept separate from other operations in order to prevent information from being improperly used in other parts of the operations. The firm must issue instructions concerning the manner in which such operations shall be kept separate from other operations.

Section 3. An investment firm which participates in conjunction with the issuances of securities or offers directed to the public must ensure that, as far as the investment firm is aware, the information disclosed provides a true and accurate impression of the offer.

Section 4. Unless otherwise agreed, an investment firm shall at all times keep a customer's financial instruments separate from the firm's assets.

Chapter 3. Compliance officer

Section 1 An investment firm must have one or more compliance officers who are responsible for ensuring that employees within the firm and its board of directors are acquainted with the rules governing the conduct of the operations as applicable from time to time.

Section 2 The board of directors shall ensure that the compliance officer reports directly to the board of directors or to the company's management. In addition, the board of directors shall issue instructions concerning when, and the manner in which, information concerning the applicable rules shall be provided to the board of directors and the firm's employees.

Chapter 4. Information from customers

Section 1. An investment firm shall document information concerning a customer's identity and, to the extent required to safeguard the customer's interests, information concerning the customer's financial situation, investment experience, and the objective of the services requested by the customer.

Section 2. Prior to an investment firm entering into an agreement with a customer concerning discretionary management, the firm must, to the extent required to safeguard the customer's interests, obtain information concerning the customer's risk profile, investment horizon, and investment restrictions. The information must be documented.

Chapter 5. Information to customers

Section 1. An investment firm must provide information to its customers pursuant to sections 2–6 below. The information must be accurate and adapted to the customer's information requirements. The customer shall receive written information on request.

Information regarding the institution

Section 2. Prior to an investment firm performing a securities service on behalf of a new customer, the firm must provide information concerning:

- the firm's name, address, telephone number, and e-mail-address;
- the name of the financial group in which the firm is included;
- the licence(s) held by the firm to conduct securities operations;
- the existence of any conflicts of interests between the customer and the firm and, in such case, the manner in which such will be handled;
- whether the customers are covered by the deposit guarantee and/or investor protection;
- the manner in which complaints and claims for compensation are handled; and
- whether the firm is subject to the supervision of Finansinspektionen.

Information concerning financial instruments and securities services

Section 3. Prior to an investment firm performing a securities service on behalf of a new customer, the firm must provide information concerning the risks associated with the financial instruments and securities services provided by the firm to the customer.

Section 4. Any investment advice provided to a customer by an investment firm must be documented at the time the advice is provided. Such documentation must be released to the customer upon request. An investment firm must have guidelines governing the manner in which the documentation shall occur.

“Investment advice” means, in these regulations, advice to an individual customer which relates to investments in financial instruments and which has the nature of a personal recommendation based on the firm’s knowledge of the customer’s financial situation, investment experience, and the objective of the investments.

Section 5. Unless otherwise agreed with the customer, an investment firm shall regularly provide a custodian account customer with statements of account which show the customer’s holdings of financial instruments and funds.

Information concerning prices and fees

Section 6. Prior to an investment firm performing a securities service on behalf of a customer, the firm must provide the customer with information concerning applicable prices and fees.

Chapter 6. Handling and documentation of business engagements

Section 1. An investment firm shall document all business engagements upon receipt thereof from the customer. “Business engagements” means engagements from customers regarding orders to purchase or sell financial instruments.

Section 2. The following information shall normally be documented:

1. the customer’s name and personal ID number, or other information which identifies the customer;
2. date and time of receipt of the engagement;
3. type of transaction;
4. type of financial instrument;
5. number of financial instruments or nominal amounts;
6. terms and conditions governing performance of the engagement; and
7. name of the person at the investment firm who received the engagement.

The first paragraph, sub-sections 1-6 shall also apply in conjunction with automated order brokering.

Section 3. The investment firm must document the cancellation of a business engagement by a customer. The documentation must contain a reference to the business engagement in question, the time of cancellation and, where applicable, the name of the person at the firm who received notice of cancellation.

Section 4. An investment firm shall document the time of each trade when the business engagement is performed, provided such performance was within the firm’s control. The firm shall not be obliged to perform time registration where the firm and Finansinspektionen can obtain the same time information in another manner.

Section 5. The trade shall be noted in the customer’s custodian account or equivalent as soon as possible. Where the investment firm carries out purchases or sales of the same type of financial instruments on behalf of several customers, such notation need not be made prior to the close of the trading day on condition that the customers are aware of the applicable allocation principles.

Section 6. In the event an investment firm consents to a business engagement being received and performed outside the firm’s premises, the firm shall prepare separate guidelines thereon.

Section 7. In the event an investment firm authorises a broker, for a short period, to monitor and perform business engagements upon request by a customer in respect of all or part of the customer's holdings of financial instruments, the firm must prepare separate guidelines thereon.

Section 8. All telephone conversations at a broker's desk at an investment firm must be recorded. The aforesaid shall also apply to the firm's conversations which relate to business engagements on other telephones in premises with access to the trading system of a securities exchange or authorised marketplace, or premises which have been specifically adapted for financial instruments trading.

Business engagements which have been received via mobile phones or at a personal meeting with a customer and which have thus not been recorded must be documented. The mobile telephone service agreements used in the securities operations must be the property of the investment firm. The investment firm must adopt guidelines governing the handling of non-recorded engagements.

Section 9. The registration of business engagements via computer terminals and other equipment may only be performed by persons who are authorised to use the terminals or equipment.

Section 10. An investment firm must adopt routines governing the archiving and documentation of business engagements, irrespective of the manner in which such have been received. The aforesaid shall also apply to time registration of trades unless the time is registered automatically. The archiving period for recorded tapes shall be one year in addition to the month in which the tape was recorded.

Chapter 7. Employees and related person's own transactions in financial instruments and foreign currencies

Section 1 An investment firm must adopt rules in its securities operations governing employees' and related parties' own transactions in financial instruments. The rules must cover such transactions in foreign currencies which are purchased on the spot market for a purpose other than payment in respect of financial instruments, goods, services, or travel.

"Related parties" means, in these regulations, a spouse or cohabitee as well as minor children under the charge of the employee. Related parties also mean legal entities in which the employee, either alone or together with any third party, has a significant financial commonality of interest, and in which the employee exercises a significant influence.

Exceptions may be made for employees at a branch in another country provided such persons are subject to local rules in this area.

Section 2. The rules must provide that employees and related parties, provided such are not covered by the prohibitions against short-term trading contained in Chapter 15 of the Swedish Reporting Obligations Act (2000:1087), who acquire financial instruments shall only be entitled to sell such financial instruments at a profit one month after the purchase (the "one-month rule"). This provision shall also apply to the purchase of foreign currencies.

Section 3. The rules may contain exceptions to the one-month rule in situations of an urgent nature provided it is clear that there has been no contravention of the purpose of the rules.

Section 4. The board of directors or the management of an investment firm shall issue instructions concerning when, and the manner in which, monitoring shall occur to ensure compliance with the rules issued. The board of directors or the management shall also appoint a person responsible for such

Chapter 8. Allotment rules in conjunction with public tender offers, etc.

Section 1. In the event an investment firm handles an offer to purchase shares and share-related instruments as referred to in Chapter 2 of the Swedish Financial Instruments Trading Act (1991:980) or Chapter 5 of the Swedish Securities Exchange and Clearing Operations Act (1992:543), in the event of over-subscription, allotment to employees of the investment firm shall only take place on condition that:

1. the issuer has consented to allotment to employees of the investment firm in the event of over-subscription;
2. it is stated in the prospectus that the issuer has given such consent as referred to in sub-section 1 above; and
3. the total allotment to all employees of the investment firm does not exceed five per cent of what is available for allotment to the public.

Section 2. The provisions of section 1 above shall also apply to related parties of employees provided such party has a connection, by virtue of his office, with the public tender offer. The aforesaid provisions shall also apply to allotment to any legal entity in which the employee, either alone or together with any third party, has a significant financial commonality of interest, and over which the employee exercises a significant influence.

Section 3 Section 1 above shall not apply where the allotment is made pursuant to a lottery procedure overseen by a supervisor who is independent of the firm, or another similar method is employed to satisfy the requirement of objectivity in conjunction with allotment.

Chapter 9. Suspension of trading

Section 1 In the event that trading in respect of a financial instrument is suspended pursuant to the provisions set forth in Chapter 10, section 1 of the Securities Exchange and Clearing Operations Act and Chapter 3, section 8 of the Securities Operations Act, an investment firm shall not conduct or participate in trading with OTC derivatives for which the underlying assets are constituted by the financial instruments which are the subject of the suspension of trading.

Chapter 10. Reporting obligation in conjunction with trades in financial instruments

Section 1 The reporting obligation pursuant to Chapter 1, section 7 (a), second paragraph of the Securities Operations Act covers all trades in the following financial instruments:

1. shares, issue certificates regarding shares, interim certificates regarding shares, depository receipts, warrants, paid subscription shares;
2. bonds and other evidence of indebtedness, however, only the total transactions in the same instrument;
3. futures contracts regarding shares and share indices; and
4. options, including warrants regarding shares and share indices.

Unless otherwise agreed with the recipient, reporting shall take place electronically.

Section 2. Subject to paragraph 3, the reports must contain the following information:

1. designation and number of the instruments which were purchased and sold, specifying the ISIN codes thereof if such exist;
2. date and time of the transaction;
3. price, interest rate, or rate;
4. the investment firm concerned and, where another investment firm or credit institution is the counterparty or represents the counterparty, such companies shall also be specified; and
5. volume.

As regards the financial instruments referred to in section 1, paragraph 1, subsections 1, 3 and 4, the report must be made within five minutes after the trade in the event the report must be made to a securities exchange or authorised marketplace, and not later than 8:00 a.m. Swedish time the day after the transaction date where the report must be made to Finansinspektionen.

As regards the financial instruments specified under section 1, paragraph 1, subsection 2, the report must be made not later than 8:00 a.m. Swedish time the day after the transaction date and the report must contain the following information in respect of each financial instrument:

1. designation and number of the instruments which were purchased and sold, specifying the ISIN codes thereof if such exist,
2. the weighted average price regarding the traded volume during the trading day; and
3. the total volume of all transactions during the trading day.

Section 3. Where the investment firm is obliged to report trades which have been made on a securities exchange or other regulated marketplace in the host Member State, the firm shall not be obliged to notify the trade to either a Swedish stock exchange, authorised marketplace, or Finansinspektionen.

The first paragraph shall also apply where the investment firm is obliged in the host Member State to notify trades to a public authority or competent authority which have been made outside a securities exchange or other regulated marketplace, or has the possibility to notify the aforesaid trades to a public authority or competent authority and makes use of such possibility. In such case, the party to which notification is made shall be deemed to have received the notification on behalf of the Swedish securities exchange, authorised marketplace, or Finansinspektionen.

Chapter 11. Contract notes

Section 1. Where both parties are investment firms, contract notes shall be prepared by the seller. In the event the trade between two investment firms relates to a swap, contract notes shall be prepared by both parties. In the event that only one of the parties is an investment firm, the contract note shall be prepared by the investment firm. The aforesaid shall apply irrespective of whether the investment firm trades in its own name on behalf of a third party (agency). Where a trade has occurred on an agency basis, a separate contract note must be prepared between the investment firm and the investment firm's principal.

In the event an investment firm participates in trade between third parties, the contract note shall be prepared by the investment firm.

In the event a clearing organisation, in accordance with the Securities Exchange and Clearing Operations Act, has undertaken to prepare a contract note pursuant to an agreement with an investment firm, the firm shall not be required to prepare such note.

Section 2. The contract note must be prepared on the settlement date or, where such is impossible due to lack of time, not later than the next bank day.

Section 3. Unless otherwise agreed, a party which has prepared a contract note on a written form must send a copy of the note to the counterparty on the same day as the note was prepared or, where such is impossible due to lack of time, not later than the next bank day. Where the information is transferred by technical means, the information must be available to the recipient within the same time period.

Section 4. A contract note must contain the following information:

1. the parties' names and addresses and, where applicable, personal ID numbers, company numbers, or other identification numbers;
2. the day the trade took place;
3. the time of the trade where information is available, or information that the time of the trade will be notified to the customer if he so requests;
4. the securities exchange or authorised marketplace on which the trade was conducted or that the trade has been conducted outside such a marketplace;
5. type of transaction;
6. which financial instruments were sold;
7. the number or nominal amount sold;
8. the price or interest rate at which the trade occurred;
9. the purchase price or, as regards swaps, the agreed value of the financial instrument sold and the agreed difference;
10. settlement date;
11. the name of the party who prepared the contract note; and
12. whether the trade was performed on an agency basis or on own account, or whether the firm has participated in the trade without itself being a party thereto.

In conjunction with data transmission or archiving pursuant to section 7 of the information referred to in paragraph one, all or part of the information may be in coded form.

Section 5. In the event an investment firm enters into an agreement with another investment firm to permit the transfer of the information which must be contained in a contract note through a system provided by a central securities depository pursuant to the Swedish Financial Instruments (Account Operators) Act (1998:1479), information shall not be required as to whether the trade was made on an agency basis or on own account. The aforesaid shall also apply where an agreement has been entered into with the Central Bank of Sweden, the Swedish National Debt Office, or other undertaking which has been authorised as an account operator.

Nor shall information concerning whether the trade was made on an agency basis or on own account be required in conjunction with the transfer of information which must be specified in a contract note through a system provided by a clearing organisation in accordance with the Securities Exchange and Clearing Operations Act, provided the clearing organisation has entered into an agreement with an

investment firm that the aforesaid information need not be provided. However, the provisions of this section shall only apply on condition that the system can at least provide the information required pursuant to section 4, paragraph one, sub-sections 1-11.

Section 6. Where special cause exists, Finansinspektionen may grant an exemption from the provisions set forth in sections 1-5.

Section 7. The contract notes prepared by an investment firm shall be kept in a satisfactory manner for a period of at least ten years in the manner prescribed pursuant to the Swedish Accounting Act (1999:1078).

These regulations shall enter into force on 1 July 2002 as regards Chapters 1-10, whereupon Chapters 1-7 and Chapter 9 of Finansinspektionens Trading and Services on the Securities Market Regulations (FFFS 1998:21) shall be repealed. Chapter 11 shall enter into force on 1 September 2002 whereupon Chapter 8 of Finansinspektionens Trading and Services on the Securities Market Regulations (FFFS 1998:21) shall be repealed.

CLAES NORGRÉN

Ülle-Reet Jakobson