



qatar

FINANCIAL CENTRE

REGULATORY AUTHORITY

CONDUCT OF BUSINESS RULEBOOK (COND)

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CONDUCT OF BUSINESS (COND)

Background to this Rulebook

1. This rulebook contains three parts:
 - a. Part 1 consists of chapters 1 to 5;
 - b. Part 2 consists of chapters 6 to 13 and the associated Appendices 1 to 5; and
 - c. Part 3 consists of chapter 14.
2. The application of many provisions in *COND* depends on the classification of the *Client* with whom the *Authorised Firm* is conducting business. Where relevant, each of the provisions of *COND* will make it clear whether it applies to activities carried on with or on behalf of *Retail Customers*, *Commercial Customers*, *Business Customers*, or *Market Counterparties*. *Authorised Firms* are reminded that the definition of *Customer* excludes *Market Counterparties* and the definition of *Client* includes all categories.
3. *The Regulatory Authority* plans to make additional *Rules* and provisions that will apply to business conducted with *Retail Customers*.

Part 1

Guidance

The provisions in Part 1 apply to every *Authorised Firm* to the extent specified in Rule 1.1.1.

1 General Application

1.1 Application

- 1.1.1** This rulebook (*COND*) applies to an *Authorised Firm* with respect to the carrying on in or from the *QFC* of:
- (A) any *Regulated Activity*; or
 - (B) any activity which is in connection with, or for the purposes of, a *Regulated Activity* to the extent specified in any provision of this rulebook.
- 1.1.2** The provisions in Part 1 apply to every *Authorised Firm* to the extent specified in Rule 1.1.1.
- 1.1.3** The provisions in Part 2 apply to an *Authorised Firm* to the extent specified in Rule 1.1.1 with respect to the conduct of:
- (A) *Investment Business*, other than in respect of *Non-Investment Insurance Contracts*;
 - (B) *Deposit Taking Business*; and
 - (C) *Project Finance Business*.
- 1.1.4** The provisions in Part 3 only apply to an *Authorised Firm* in Rule 1.1.1 with respect to the conduct of:
- (A) *Insurance Business*; and
 - (B) *Insurance Mediation Business* in respect of *Non-Investment Insurance Contracts*.

2 General Provisions

2.1 Application

- 2.1.1** This chapter applies to an *Authorised Firm* in the course of carrying on *Regulated Activities* with or for its *Clients*.

2.2 Regulated Activities with or for Clients

- 2.2.1** An *Authorised Firm* may only carry on *Regulated Activities* with or for a *Person* it has taken reasonable steps to classify as a *Client* in accordance with:
- (A) chapter 6 with regard to *Deposit Taking Business*, *Project Finance Business* and *Investment Business* other than in respect of *Non-Investment Insurance Contracts*; and
 - (B) section 14.3 with regard to *Insurance Business* and *Insurance Mediation Business* in respect of *Non-Investment Insurance Contracts*.

2.3 Communication of Information

- 2.3.1** When an *Authorised Firm* communicates information to a *Client*, the *Authorised Firm* must take reasonable steps to communicate the information in a way which is clear, fair and not misleading.

2.4 Reliance on Others

- 2.4.1** An *Authorised Firm* will be taken to comply with any *Rule* in this rulebook that requires the *Authorised Firm* to obtain information to the extent that the *Authorised Firm* can show that it was reasonable for the *Authorised Firm* to rely on information provided to it in writing by another *Person*.
- 2.4.2** In Rule 2.4.1, it will be reasonable for the *Authorised Firm* to rely on any information provided to it in writing by a *Person* if it reasonably believes that the *Person* is competent to provide the information, unless the *Authorised Firm* is aware, or ought reasonably to be aware, of any fact or facts that would give the *Authorised Firm* reasonable grounds to question the accuracy of any such information.
- 2.4.3** When a *Rule* in this rulebook requires information to be sent to a *Customer*, an *Authorised Firm* must provide that information directly to the *Customer* and not to another *Person*, unless the *Authorised Firm* has a written instruction from the *Customer* requiring or permitting the *Authorised Firm* to provide the relevant information to that other *Person*.

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2.4.4 There is no need for an *Authorised Firm* to send information to a *Client* where it has taken reasonable steps to establish that the information has been, or will within a reasonable timeframe, be supplied by another *Person*.

2.5 Excluding or Restricting Liability

2.5.1 An *Authorised Firm* must not, in any written or oral communication in connection with *Regulated Activities*, seek to exclude or restrict, or to rely on any exclusion or restriction of, any duty or liability it may have to a *Customer* under the *Regulatory System*.

3 Financial Communications

3.1 Application

3.1.1 This chapter applies to an *Authorised Firm* that communicates (or causes to be communicated) from the QFC any *Financial Communication*.

Financial Services Regulations

1. Article 80 of the *FSR* defines a *Financial Communication*:

Regulatory Authority's powers to make Rules in relation to Financial Communications

- (2) A "Financial Communication" is any communication (made via any medium including brochures, telephone calls and presentations) the purpose or effect of which is:
- (A) to promote or advertise (i) Specified Products or (ii) any Regulated Activity (or any activity that would be a Regulated Activity if it was carried on in or from the QFC); or
 - (B) to invite or induce any Person (i) to enter into an agreement with any Person in relation to a Specified Product or (ii) to engage in any Regulated Activity (or an activity that would be a Regulated Activity if it was carried on in or from the QFC).

2. Article 81 of the *FSR* states:

Prohibition on issue of Financial Promotions other than by Authorised Firms

- (1) Subject to Article 81(2), no QFC Licensed Firm other than an Authorised Firm may make (or cause to be made) in the course of business any Financial Communication unless the content of the communication has been approved for the purposes of this Article by an Authorised Firm.
- (2) Article 81(1) shall not apply:
- (A) in respect of any Financial Communication made to another QFC Licensed Firm; or
 - (B) to such other types or category of recipient or in such other circumstances as may be set out in Rules made by the Regulatory Authority.
- (3) The Regulatory Authority may make Rules prohibiting or restricting the extent to which, or the circumstances in which, Persons outside the QFC (whether in the State or otherwise) may send Financial Communications to Persons in the QFC or capable of having an effect in the QFC, but in the absence of such Rules there will be no restriction on such Financial Communications and a Person outside the QFC shall not be deemed to be carrying on business in or from the QFC purely by virtue of making such Financial Communication to a Person in the QFC.

Further Rules in relation to Financial Communications

3. The *Regulatory Authority* will develop further *Rules* that apply whenever an *Authorised Firm* communicates (or causes to be communicated) a *Financial Communication*.

3.2 General Requirements for Financial Communications

3.2.1 Before an *Authorised Firm* communicates, approves or issues any *Financial Communication* it must ensure that:

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- (A) the *Financial Communication* is clear, fair and not misleading;
- (B) the accuracy of all material statements of fact can be substantiated; and
- (C) the *Financial Communication* does not make any untrue claims.

3.2.2 An *Authorised Firm* must take reasonable steps to ensure that any other *Person* does not communicate or otherwise issue a *Financial Communication* on behalf of the *Authorised Firm* unless it complies with the *Rules* in this chapter.

3.3 Approval and Content

3.3.1 Where an *Authorised Firm* issues a *Financial Communication* in writing it must contain the following information:

- (A) the name of the *Authorised Firm* issuing the *Financial Communication*;
- (B) either the address of the *Authorised Firm* or a contact point from which the address is available;
- (C) the date of issue and if applicable, the expiry date, of the *Financial Communication*;
- (D) a statement of the intended audience of the *Financial Communication* and if applicable, that the *Financial Communication* is directed solely at *Persons* who are not *Retail Customers*; and
- (E) the *Authorised Firm's* regulatory status, in the format described in GENE section 3.1.

3.3.2 Where an *Authorised Firm* approves the content of a written *Financial Communication* on behalf of another *QFC Licensed Firm*, it must ensure the *Financial Communication* contains the following information:

- (A) the name of the *Authorised Firm*; and
- (B) the name of the *QFC Licensed Firm* issuing the *Financial Communication*.

3.3.3 An *Authorised Firm* must ensure that before it issues or approves a *Financial Communication* it confirms that the *Financial Communication* complies with the *Rules* in this chapter.

3.3.4 An *Authorised Firm* must arrange for the confirmation exercise in Rule 3.3.3 to be carried out by an individual or individuals with appropriate expertise.

3.4 Withdrawing a Financial Communication

3.4.1 If, at any time after it has completed a confirmation exercise in Rule 3.3.3, an *Authorised Firm* becomes aware that a *Financial Communication* no longer complies with the *Rules* in this chapter, it must ensure that the *Financial Communication* is withdrawn as soon as reasonably practicable by:

- (A) ceasing to communicate it;
- (B) if applicable, withdrawing its approval; and
- (C) notifying any *Person* that the *Authorised Firm* knows to be relying on its approval or confirmation.

3.5 Record Keeping

3.5.1 An *Authorised Firm* must establish and maintain records which show for each *Financial Communication* which it has issued or approved:

- (A) the name of the individual or individuals who confirmed that the *Financial Communication* complies with the *Rules* in this chapter;
- (B) the date of issue and where appropriate, approval;
- (C) details of the medium for which the *Financial Communication* was authorised;
- (D) the evidence supporting any material statements of fact in the *Financial Communication*; and
- (E) if applicable, the details of a withdrawal under Rule 3.4.1.

3.5.2 An *Authorised Firm* must also retain, for written *Financial Communications*, a copy of the *Financial Communication* as finally issued.

3.5.3 The records in section 3.5 must be maintained for at least six years from the date on which the *Financial Communication* is no longer communicated.

3.6 The Use of the Internet and Other Electronic Media

Guidance

For the avoidance of doubt, the definition of *Financial Communication* also includes electronic media such as e-mails, material displayed on a website and sound and television broadcasts.

4 Conflicts and Material Interests

4.1 Application

- 4.1.1** This chapter applies to an *Authorised Firm* that carries on *Regulated Activities* with or for *Clients*.

4.2 Conflicts and Material Interests

- 4.2.1** An *Authorised Firm* must establish systems and controls to identify and manage any actual and potential conflict of interest and material interest to ensure that all of its *Clients* are fairly treated and not prejudiced by any such interests.

- 4.2.2** Where an *Authorised Firm* has knowledge of a conflict or a material interest, it must manage that interest by:

- (A) establishing and maintaining effective *Chinese Walls* to restrict the communication of that knowledge;
- (B) disclosing the material interest or conflict of interest to the *Client* in writing (which may include a disclosure in the *Authorised Firm's Terms of Business*) either generally or in relation to a specific transaction and taking reasonable steps to ensure that the *Client* does not object; or
- (C) relying on a written policy of independence, which requires an *Employee* to disregard any conflict of interest or material interest when advising a *Client* or exercising discretion.

- 4.2.3** If an *Authorised Firm* determines that it is unable to manage a conflict of interest or material interest using one of the methods described in Rule 4.2.2 it must decline to act for the *Client*.

4.3 Attribution of Knowledge

- 4.3.1** When a provision in this rulebook is expressed to apply to an *Authorised Firm* only to the extent that such *Authorised Firm* acts with knowledge, the *Authorised Firm* will not be taken to act with knowledge for the purposes of that provision as long as none of the relevant individuals involved on behalf of the *Authorised Firm* acts with knowledge as a result of a *Chinese Wall* arrangement established under Rule 4.2.2(A) above.

5 Complaints Handling

5.1 Application

5.1.1 This chapter applies to an *Authorised Firm* that carries on *Regulated Activities* with or for its *Customers*.

5.2 Complaints Handling

Procedures

5.2.1 An *Authorised Firm* must establish and operate, appropriate and effective, written internal complaints handling procedures for dealing with complaints made against it by *Customers* in relation to *Regulated Activities* (whether justified or not) fairly, efficiently and with due diligence and consideration.

5.2.2 The internal complaints handling procedures referred to in Rule 5.2.1 must provide for:

- (A) receiving complaints;
- (B) responding to complaints; and
- (C) the appropriate investigation of complaints.

5.2.3 (1) An *Authorised Firm* must either before or promptly after it starts to carry on *Regulated Activities* with or for a *Retail Customer* inform that *Retail Customer* in writing as to the:

- (A) availability of its internal complaint handling procedures; and
 - (B) identity of the *Employee* to whom complaints about the *Authorised Firm's* carrying on of *Regulated Activities* should initially be referred.
- (2) The obligation to provide the information in (1) in writing may be satisfied by including the information in the *Authorised Firm's Terms of Business*.

Provision of Procedures

5.2.4 An *Authorised Firm* must on the request of a *Retail Customer*, provide that *Retail Customer* with a copy of the *Authorised Firm's* internal complaint handling procedures and provide a copy automatically to a complainant (unless the complaint is resolved by close of business on the next *Business Day*).

5.2.5 An *Authorised Firm's* internal complaint handling procedures in Rule 5.2.1 must make provision for:

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- (A) complaints to be investigated by an *Employee* of sufficient competence who was not directly involved in the matter which is the subject of the complaint;
- (B) the *Person* charged with responding to complaints to have the authority to settle complaints (including the offering of redress where appropriate) or to have ready access to someone who has the necessary authority; and
- (C) responses to complaints to adequately address the subject matter of the complaint and, where a complaint is upheld, to offer appropriate redress.

5.2.6 An *Authorised Firm* must take reasonable steps to ensure that all relevant *Employees* are aware of the *Authorised Firm's* internal complaint handling procedures and must endeavour to ensure that they act in accordance with them.

5.2.7 An *Authorised Firm's* systems and controls must include appropriate management controls to ensure that:

- (A) it handles complaints fairly, consistently and promptly; and
- (B) it identifies and remedies any recurring or systemic problems, as well as any specific problem identified by a complaint.

5.3 Record Keeping

5.3.1 An *Authorised Firm* must make and retain records of complaints (where the complaint is in writing) and, even where the complaint is not in writing, it must make and retain records of the handling of the complaint for at least six years from the date of its receipt of the complaint.

5.3.2 The records under Rule 5.3.1 must include:

- (A) the name of the complainant;
- (B) the substance of the complaint;
- (C) the name of the *Employee* who investigated the complaint;
- (D) any correspondence between the *Authorised Firm* and the complainant, including details of any redress offered by the *Authorised Firm*; and
- (E) if applicable, the steps the *Authorised Firm* has taken to remedy a recurring or systemic problem.

Part 2

Guidance

The provisions in Part 2 apply to an *Authorised Firm* to the extent specified in Rule 1.1.1 with respect to the conduct of:

- a. *Investment Business*, other than in respect of *Non-Investment Insurance Contracts*;
- b. *Deposit Taking Business*; and
- c. *Project Finance Business*.

6 Client Classification

6.1 Requirement to Classify Clients

6.1.1 Before conducting *Investment Business, Deposit Taking Business or Project Finance Business* with or for a *Person*, an *Authorised Firm* must take reasonable steps to establish whether that *Person* is a:

- (A) *Retail Customer*;
- (B) *Business Customer*; or
- (C) *Market Counterparty*.

6.1.2 An *Authorised Firm* that takes reasonable steps to classify a *Client* as required by, and in accordance with the *Rules* in this chapter, and treats that *Client* in accordance with that classification, does not breach any other *Rule* in this rulebook or *ASET* to the extent that the breach arises only from inappropriate classification of that *Client*.

6.2 Opting up to Business Customer Status

6.2.1 (1) A *Client* that would otherwise be required to be classified as a *Retail Customer* may, in respect of all *Regulated Activities* or particular *Regulated Activities*, be classified by an *Authorised Firm* as a *Business Customer* if the *Client* satisfies the criteria in (2) and the *Authorised Firm* complies with the requirements in (3).

(2) For a *Client* to be classified by the *Authorised Firm* as a *Business Customer* the *Authorised Firm* must determine that the *Client*:

- (A) is an *Employee* of an *Authorised Firm* or *Regulated Financial Institution* or a *Person* who has at least US\$1 million in liquid assets (i.e. cash, securities or other financial instruments) and has provided the *Authorised Firm* with written confirmation of this fact; and
- (B) appears to the *Authorised Firm* in accordance with Rule 6.2.2, after careful analysis, to have sufficient knowledge, experience and understanding of the financial markets that are relevant to the proposed *Regulated Activities* to warrant being dealt with by the *Authorised Firm* without the benefit of the protections under the *Regulatory System* afforded to *Retail Customers*; or
- (C) is a private trust or other similar arrangement in which each of the *Persons* entitled to the ultimate beneficial interest in the trust or arrangement meet the requirements in (A) or (B).

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- (3) For a *Client* to be treated as a *Business Customer*, the *Authorised Firm* must:
- (A) give the *Client* a written notice, explaining the basis on which the *Authorised Firm* is treating the *Client* as a *Business Customer*, the protections under the *Regulatory System* that the *Client* will lose if treated as a *Business Customer*; and
 - (B) ensure that following receipt of the notice referred to in (A) the *Client*, has had sufficient time to consider the implications of being treated as a *Business Customer* and has consented in writing to being treated as a *Business Customer*.

Guidance

The written notice in Rule 6.2.1(3)(A) should include:

- a. advising the *Client* of the *Retail Customer* provisions that will not apply and that he will lose the protection afforded by those provisions. These should include where relevant, the loss of know your customer and suitability obligations, disclosure regarding risk, information about the *Authorised Firm*, charges and the right to realise a *Customer's* assets; and
- b. explaining the possible consequences to the *Client* of the provisions that are capable of modification in their application to *Business Customers*, including where relevant, best execution, terms of business, the client money and custody provisions.

6.2.2 In assessing whether a *Client* has sufficient knowledge, experience and understanding of the financial markets that are relevant to the proposed *Regulated Activities* for the purposes of Rule 6.2.1(2)(B), the *Authorised Firm* must have regard to:

- (A) the *Client's* knowledge and understanding of those financial markets and of the risks involved in participating in them;
- (B) the length of time that the *Client* has been active in those financial markets, the frequency of dealings and the extent to which he has relied on the advice on *Relevant Investments* from the *Authorised Firm*;
- (C) whether the *Client* has been employed, or otherwise professionally involved, in those financial markets and for how long;
- (D) the size and nature of transactions that have been undertaken by or for the *Client* in those financial markets; and
- (E) the reliance the *Client* will place on the independent advice or judgement of another *Authorised Firm* or *Regulated Financial Institution* in relation to the *Regulated Activities*.

6.3 Treatment of Agents

6.3.1 If an *Authorised Firm* is aware that a *Person* with or for whom it is conducting *Investment Business, Deposit Taking Business or Project Finance Business* is acting as agent for another *Person* (the *Underlying Customer*) in relation to that business, the agent (and not the *Underlying Customer*) will, for the purposes of the requirements in this rulebook and *ASET*, be the *Client* of the *Authorised Firm* in respect of that business, if:

- (A) the agent is another *Eligible Third Party or Designated Bank*; or
- (B) the agent is any other *Person*, provided that the avoidance of duties which the *Authorised Firm* would otherwise owe to the *Underlying Customer* is not the main purpose of the arrangements between the parties.

6.3.2 Rule 6.3.1 does not apply if the *Authorised Firm* has agreed with the agent in writing to treat the *Underlying Customer* as its *Client* for the purposes of the requirements in this rulebook and *ASET*.

6.3.3 If there is an agreement under Rule 6.3.2 in relation to more than one *Underlying Customer* represented by the agent, the *Authorised Firm* may discharge any requirement in this rulebook or *ASET* to notify, obtain instructions or consent from, or enter into an agreement with each *Underlying Customer* by sending to, or receiving from the agent a single communication which is expressed to cover each *Underlying Customer*, except that:

- (A) separate risk disclosure under section 10.5 (customers' understanding of risk);
- (B) confirmation notes under section 13.2 (confirmation notes); and
- (C) periodic statements under section 13.3 (periodic statements)

are required for each *Underlying Customer*.

6.3.4 If Rule 6.3.1 does not apply, because of the proviso in Rule 6.3.1(B) or an agreement under Rule 6.3.2, the *Underlying Customer* and not the agent will (for the purposes of the requirements in this rulebook and *ASET*) be the *Client* of the *Authorised Firm* in respect of that business.

Guidance

Authorised Firms are reminded that section 6.3 does not relieve them of any obligation under the *AML Regulations* relating to the *Underlying Customer*.

6.4 Systems and Controls

6.4.1 An *Authorised Firm's* systems and controls must include appropriate checks to support each assessment it undertakes to classify a *Person* into a category of *Client*.

6.5 Record Keeping

- 6.5.1** An *Authorised Firm* must make a record of the classification established for each *Client* under this chapter, including sufficient information to support that classification.
- 6.5.2** An *Authorised Firm* must retain the record referred to in Rule 6.5.1 for at least six years after the date on which the *Authorised Firm* ceases to conduct business with or for that *Client*.

7 Investment Research

7.1 Application

7.1.1 Sections 7.1 and 7.2 apply to an *Authorised Firm* that prepares *Investment Research* for publication or distribution to its *Clients* or that publishes or distributes *Investment Research* to its *Clients*.

7.1.2 Sections 7.1 and 7.3 apply to an *Authorised Firm* that prepares or disseminates *Research Recommendations*.

7.2 Investment Research

Glossary

Investment Research is defined in the *Glossary* as:

Investment Research

A publication (other than a personal recommendation) which contains:

- (A) the results of research into a *Relevant Investment* or its *Issuer*;
- (B) analysis of factors likely to influence the future performance of a *Relevant Investment* or its *Issuer*; or
- (C) advice or recommendations based on those results or analysis.

Impartial Investment Research

7.2.1 Where an *Authorised Firm* publishes or distributes *Investment Research* and:

- (A) the *Authorised Firm* holds the research out (in whatever terms) as being an impartial assessment of the value or prospects of the subject matter; or
- (B) it is reasonable for those to whom the *Authorised Firm* has published or distributed the research to rely on it as an impartial assessment of the value or the prospects of its subject matter

the *Authorised Firm* must comply with the requirements in Rule 7.2.2.

Policy for Managing Conflicts of Interest

7.2.2 An *Authorised Firm* referred to in Rule 7.2.1 must:

- (A) establish and implement a policy, appropriate to the *Authorised Firm* for managing effectively the conflicts of interest which might affect the impartiality of the *Investment Research*;

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- (B) make a record of the policy and retain for at least six years after it ceases to have effect;
- (C) take reasonable steps to ensure that it and its *Employees* comply with the policy;
- (D) make available to any *Person* on request a copy of the policy in writing; and
- (E) take reasonable steps to ensure that the policy remains appropriate and effective.

7.2.3 The policy in Rule 7.2.2 must identify the types of *Investment Research* to which the policy applies and must make provision for system, controls and procedures which:

- (A) identifies conflicts of interest which might affect the impartiality of the *Investment Research* to which the policy relates;
- (B) manages effectively conflicts of interest, to the extent that they arise or might arise within the *Authorised Firm*, in relation to at least the following:
 - (i) the supervision and management of *Investment Analysts*;
 - (ii) the remuneration structure for *Investment Analysts*;
 - (iii) the extent to which *Investment Analysts* may become involved in activities other than the preparation of *Investment Research*;
 - (iv) the extent to which inducements offered by *Issuers*, or others with material interest in the subject matter of *Investment Research*, may be accepted by *Investment Analysts* or senior *Employees* of the *Authorised Firm*;
 - (v) who may comment on draft *Investment Research* before publication, and the process for taking account of their comments;
 - (vi) the timing and manner of publication and distribution of *Investment Research* and of the communication of its substance; and
 - (vii) what information or disclosures are appropriate to include in the *Investment Research* (taking due account of matters required by law); and
- (C) clearly indicate the extent to which the *Authorised Firm's* policy relies on *Chinese Walls* or other information barriers.

7.3 Investment Research Recommendations

Glossary

Research Recommendation is defined in the *Glossary* as:

Research Recommendation	
Research or other information:	
(A)	concerning one or several <i>Relevant Investments</i> admitted to trading on <i>Designated Exchanges</i> , or in relation to which an application for admission to trading has been made, or <i>Issuers</i> of such <i>Relevant Investments</i> ;
(B)	intended for distribution so that it is, or is likely to become, accessible by a large number of <i>Persons</i> , or for the public, but not including: <ul style="list-style-type: none"> (i) an informal short-term investment personal recommendation expressed to <i>Clients</i>, which originates from inside the sales or trading department, and which is not likely to become publicly available or available to a large number of persons; or (ii) advice given by an <i>Authorised Firm</i> to a <i>Body Corporate</i> in the context of a takeover bid and disclosed only as a result of compliance with a legal or regulatory obligations; and
(C)	which: <ul style="list-style-type: none"> (i) explicitly or implicitly, recommends or suggests an investment strategy; (ii) directly or indirectly, expresses a particular investment recommendation; or (iii) expresses an opinion as to the present or future value or price of such <i>Relevant Investments</i>.

Presentation and Disclosure

7.3.1 An *Authorised Firm* must:

- (A) take reasonable care to ensure that a *Research Recommendation* produced or disseminated by it is presented fairly and is not misleading; and
- (B) disclose its interests or indicate conflicts of interests concerning *Relevant Investments*.

Identity

7.3.2 (1) An *Authorised Firm* must in a *Research Recommendation* produced by it:

- (A) disclose clearly and prominently the identity of the *Person* responsible for its production and in particular:
 - (i) the name and job title of the individual who prepared the *Research Recommendation*; and
 - (ii) the name of the *Authorised Firm*; and
- (B) include the *Authorised Firm's* regulatory status, in the format described in GENE section 3.1.

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- (2) The requirements in (1) may be met for non-written *Research Recommendations* by referring to a place where the disclosures can be easily accessed by the public, such as the *Authorised Firm's* website.

Standards for Fair Presentation

7.3.3 An *Authorised Firm* must take reasonable care to ensure that:

- (A) facts in a *Research Recommendation* are clearly distinguished from interpretations, estimates, opinions and other types of non-factual information;
- (B) its sources for a *Research Recommendation* are reliable or if there is any doubt as to whether a source is reliable, this is clearly indicated;
- (C) all projects, forecast and price targets in a *Research Recommendation* are clearly labelled as such and the material assumptions made in producing or using them are indicated; and
- (D) the substance of its *Research Recommendations* can be substantiated as reasonable, upon request by the *Regulatory Authority*.

7.3.4 In the case of a non-written *Research Recommendation*, the requirements in Rule 7.3.3 do not apply if they would be disproportionate in relation to the length of the *Research Recommendation*.

Record Keeping

- 7.3.5** (1) An *Authorised Firm* must establish and maintain records of each *Research Recommendation* it produces including details of how the substance of the *Research Recommendation* can be substantiated as reasonable.
- (2) The records in (1) must be maintained for at least six years from the date of the *Research Recommendation*.

Further Obligations

7.3.6 An *Authorised Firm* must comply with the additional obligations set out in Appendix 5.

8 Inducements and Soft Dollar Agreements

8.1 Application

- 8.1.1** This chapter applies to an *Authorised Firm* that conducts *Investment Business, Deposit Taking Business or Project Finance Business* with or for *Customers*.

8.2 Inducements

- 8.2.1** An *Authorised Firm* must ensure that neither it, nor any of its *Employees*:

- (A) offers, gives, solicits or accepts any inducement; nor
- (B) directs or refers any actual or potential *Investment Business* to another *Person* on its own initiative or on the instructions of an *Associate*

which is likely to conflict to a material extent with any duty that it owes to its *Customers*.

Guidance

Authorised Firms should conduct business with integrity and not attempt to attract business through unethical means. The normal business practice of taking business contacts to lunch or giving modest gifts is generally permitted.

- 8.2.2** An *Authorised Firm's* systems and controls must include policies and procedures to ensure compliance with Rule 8.2.1.
- 8.2.3** An *Authorised Firm* must provide to all *Employees* details of the *Authorised Firm's* current policy and procedures regarding gifts, referrals and inducements.

8.3 Soft Dollar Agreements

- 8.3.1** Where, in the course of conducting *Investment Business*, an *Authorised Firm* pays for goods or services received by the *Authorised Firm* or an *Associate* of the *Authorised Firm* under a *Soft Dollar Agreement* or a *Bundled Brokerage Arrangement* using *Commissions* generated by the *Execution* of transactions on behalf of *Customers* for whom it acts, the payment for, and receipt of, these goods and services will not constitute an inducement that breaches Rule 8.2.1, provided that:

- (A) the goods and services are directly relevant to, and can reasonably expect to be used to assist in, the provision to the *Authorised Firm's Customers* of:
 - (i) investment management services;
 - (ii) advice on dealing in, or on the value of any *Relevant Investment*;

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- (iii) custody services relating to *Relevant Investments* belonging to, or managed for *Customers*; or
- (iv) services relating to the valuation or performance measurement of portfolios;
- (B) the goods and services do not take the form of or include, cash or other direct financial benefit;
- (C) the *Authorised Firm* has undertaken a thorough assessment of the goods and services it receives under the relevant arrangement in order to ensure that the arrangement provides value for money to the *Authorised Firm's Customers*, including taking reasonable steps to ensure:
 - (i) that the services provided by the broker are competitive, with no comparative price disadvantage, and take into account the interests of the *Customer*; and
 - (ii) for transactions in which the broker acts as principle, that commission paid under the agreement or arrangement will be sufficient to cover the value of the goods or services to be received and the costs of execution; and
- (D) the *Authorised Firm* has made adequate prior and periodic disclosure under sections 8.4 and 8.5

8.4 Prior Disclosure

8.4.1 Before an *Authorised Firm* enters into a *Transaction* for a *Customer* under a *Soft Commission Agreement* or a *Bundled Brokerage Arrangement* which the *Authorised Firm* has or knows, or ought reasonably to know, that a member of its *Group* has, with that other *Person*, the *Authorised Firm* must inform the *Customer* in writing of:

- (A) the existence of the *Soft Dollar Agreement* or *Bundled Brokerage Arrangement*; and
- (B) the *Authorised Firm's*, or when relevant it's *Group*, policy relating to *Soft Dollar Arrangements* and *Bundled Brokerage Arrangements*.

8.5 Periodic Disclosure

8.5.1 Where an *Authorised Firm* or a member of its *Group* has a *Soft Dollar Agreement* or *Bundled Brokerage Arrangement* with another *Person*, under which either the *Authorised Firm* or that member of its *Group*, transacts for a *Customer*, the *Authorised Firm* must:

- (A) provide, at least annually, to each relevant *Customer*, the following information covering the period since the *Authorised Firm* last reported to that *Customer* or, if no

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previous report has been made, since the *Authorised Firm* first transacted for the *Customer*;

- (i) the percentage paid, under the *Soft Dollar Agreement* or *Bundled Brokerage Arrangement*, of the total *Commission* paid by, or at the direction of:
 - (a) the *Authorised Firm*; and
 - (b) any other member of the *Authorised Firm's Group* party to those arrangements;
 - (ii) the value, on a cost price basis, of good or services received by the *Authorised Firm* under the agreements or arrangements, expressed as a percentage of the total *Commission* paid by the *Authorised Firm* or other members of its *Group*;
 - (iii) a summary of the goods or services received by the *Authorised Firm*;
 - (iv) a list of the brokers which are parties to the arrangement or agreement; and
 - (v) the total *Commission* paid from the portfolio of that *Customer*;
- (B) at least annually, explain to each relevant *Customer*:
- (i) details of the *Authorised Firm's* policy relating to *Soft Dollar Agreements* or *Bundled Brokerage Arrangements* for the forthcoming period, which must not exceed one year; or
 - (ii) state that its policy has not changed;
- (C) promptly provide to each relevant *Customer*, an explanation following any material change in the *Authorised Firm's* policy relating to *Soft Dollar Agreements* or *Bundled Brokerage Arrangements*; and
- (D) if it is the case, confirm to each relevant *Customer* that the goods and services received by the *Authorised Firm* are expected to assist only in the conduct of *Investment Business* with or for other *Customers*.

8.6 Record Keeping

- 8.6.1**
- (1) An *Authorised Firm* must establish and maintain records of each assessment it undertakes to ensure compliance with Rule 8.2.1.
 - (2) The records in (1) must be maintained for at least six years from the date on which the assessment is undertaken.

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- 8.6.2** (1) An *Authorised Firm* must maintain a record of the terms of each *Soft Dollar Agreement* or *Bundled Brokerage Arrangement* including the assessment it has undertaken under Rule 8.3.1(C).
- (2) The records in (1) must be maintained for at least six years from the date on which the agreement or arrangement is terminated.
- 8.6.3** An *Authorised Firm* must make records of the disclosures made to its *Customers* as required by sections 8.4 and 8.5 and retain those records for at least six years from the date on which the *Soft Dollar Agreement* or *Bundled Brokerage Arrangement* to which they relate is terminated.
- 8.6.4** An *Authorised Firm* must make a record of each payment of *Commission*, under each *Soft Dollar Agreement* or *Bundled Brokerage Arrangement* and of the nature of any goods and services received under a *Soft Dollar Agreement* or *Bundled Brokerage Arrangement* and must retain that record for at least six years from the date of payment.

9 Personal Account Transactions

9.1 Application

9.1.1 This chapter applies to an *Authorised Firm* that conducts *Investment Business*.

9.2 Personal Account Transactions

9.2.1 An *Authorised Firm* must establish systems and controls to ensure that:

- (A) subject to Rule 9.2.2, a *Personal Account Transaction* undertaken by any of its *Employees* does not conflict with the *Authorised Firm's* duties to its *Customers* under the *Regulatory System*;
- (B) it receives prompt notification of any *Personal Account Transaction* entered into by any of its *Employees* or is otherwise able to identify it, and makes a record of it; and
- (C) an *Employee* that is precluded from entering into a transaction for his own account does not (except in the proper course of his employment) counsel or procure any other *Person* to enter into such transaction or communicate any opinion to any other *Person* if he knows or reasonably ought to know that such *Person* will, as a result, be likely to enter into such a transaction or counsel or procure another *Person* to do so.

9.2.2 Rule 9.2.1 does not apply to an *Employee* if the *Authorised Firm* has taken reasonable steps to determine that the *Employee* will not be involved to any material extent in, or have access to information about, the *Authorised Firm's Investment Business*.

Systems and Controls

9.2.3 The systems and controls established by an *Authorised Firm* under Rule 9.2.1 must include:

- (A) drawing the restrictions on *Personal Account Transactions*, and any general permissions to execute *Personal Account Transactions* to the attention of relevant *Employees* in a written notice;
- (B) making compliance with the systems and procedures a term of each relevant *Employee's* employment contract or contract for services;
- (C) establishing and maintaining a restricted list of *Relevant Investments* in respect of which the *Authorised Firm* may have *Inside Information* and ensuring that only relevant *Employees* have access to that list; and
- (D) ensuring that relevant *Persons* may not undertake *Personal Account Transactions* in respect of *Relevant Investments* on the restricted list unless:

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- (i) the transaction is for the purposes of realising the cash value of a holding or position undertaken in order to meet an obligation of the relevant *Person* not related to the business of the *Authorised Firm*; and
- (ii) the *Authorised Firm* has given its express permission in writing for that transaction.

Record Keeping

9.2.4 An *Authorised Firm* must make records of:

- (A) the notifications received under Rule 9.2.1(B);
- (B) any restrictions on *Personal Account Transactions* which it has in place from time to time;
- (C) in respect of Rule 9.2.2 the basis upon which the *Authorised Firm* has determined that an *Employee* will not be involved in, or have access to information about, the *Authorised Firm's Investment Business*; and
- (D) any permission it gives to an *Employee* to execute a *Personal Account Transaction* in accordance with procedures it establishes under Rule 9.2.3.

9.2.5 An *Authorised Firm* must keep records made:

- (A) for the purposes of Rule 9.2.4(A) for at least six years from the date on which the notification is received;
- (B) for the purposes of Rule 9.2.4(B) for at least six years from the date on which the restriction is lifted;
- (C) for the purpose of Rule 9.2.4(C) for at least six years after the date on which the individual ceases to be an *Employee*; and
- (D) for the purposes of Rule 9.2.4(D) for at least six years from the date on which permission is granted.

10 Advising and Selling

10.1 Application

10.1.1 This chapter applies to an *Authorised Firm* that conducts *Investment Business*.

10.2 Know Your Customer

10.2.1 Before an *Authorised Firm*:

- (A) provides advice or makes a recommendation concerning a *Relevant Investment* to a *Retail Customer*;
- (B) acts as an *Investment Manager* for a *Retail Customer*; or
- (C) recommend or arranges a *Long Term Insurance Contract* for a *Client*

it must take reasonable steps to ensure that it is in possession of sufficient personal and financial information about that *Client* relevant to the services that the *Authorised Firm* has agreed to provide.

10.2.2 Where the *Authorised Firm* has asked the *Client* for the relevant information and the *Client* has failed to supply it, the *Authorised Firm* must warn the *Client* in writing that the lack of such information may adversely affect the quality of the services provided.

10.3 Suitability

10.3.1 Subject to Rule 10.3.2, an *Authorised Firm* may only:

- (A) advise or make a personal recommendation to a *Retail Customer*;
- (B) execute a transaction for a *Retail Customer* on a discretionary basis; or
- (C) recommend a *Long Term Insurance Contract* of to a *Client*

where it has taken reasonable steps to ensure that the advice, recommendation or transaction is suitable for that *Client* having regard to:

- (D) that *Client's* personal and financial information;
- (E) that *Client's* investment objectives and risk tolerance; and
- (F) any other requirements or relevant facts about that *Client* of which the *Authorised Firm* is, or ought reasonably be aware.

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- 10.3.2** Where an *Authorised Firm* is acting as an *Investment Manager* for a *Retail Customer* it must take reasonable steps to ensure that the *Retail Customer's* portfolio or account remains suitable, having regard to the facts in Rule 10.3.1(D), (E) and (F).
- 10.3.3** An *Authorised Firm* must take reasonable steps to ensure the information it holds about a *Retail Customer* is accurate, complete and up-to-date.
- 10.3.4** Where, with the agreement of the *Retail Customer*, an *Authorised Firm* has pooled his funds with those of others with a view to taking common discretionary management decisions, the *Authorised Firm* must take reasonable steps to ensure that a discretionary transaction is suitable for the fund, having regard to the stated investment objectives of that fund.
- 10.3.5** Where an *Authorised Firm* can only make a recommendation to a *Client* from a specific range of *Packaged Products* or *Long Term Insurance Contracts* it must:
- (A) choose the most suitable:
 - (i) *Packaged Product* for a *Retail Customer*; or
 - (ii) *Long Term Insurance Contract* for a *Business Customer* or *Market Counterparty* from that range; and
 - (B) not make a recommendation if there is no *Packaged Product* or *Long Term Insurance Contract* of in that range which is suitable for that *Client*.
- 10.3.6** Where an *Authorised Firm* is not restricted to making a recommendation from a specific range of products to a:
- (A) *Retail Customer* in relation to a *Packaged Product*; or
 - (B) *Business Customer* or a *Market Counterparty* in relation to a *Long Term Insurance Contract*

it must not make any such recommendation unless it has carried out a reasonable analysis of a sufficiently large number of *Packaged Products* or *Long Term Insurance Contracts* (as the case may be) which are generally available from the market, in order to find the most suitable product.

10.4 Record Keeping: Personal and Financial Circumstances

- 10.4.1** Unless Rule 10.4.2 applies, an *Authorised Firm* must make and retain for at least six years a record of the *Client's* personal and financial circumstances that it has obtained in satisfying Rule 10.3.1.

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- 10.4.2** An *Authorised Firm* need not retain the record where it has made a recommendation to a *Client* in connection with a *Relevant Investment* and the *Client* does not proceed with the recommended transaction or any part of it.

10.5 Customer's Understanding of Risk

- 10.5.1** An *Authorised Firm* must not:

- (A) provide advice or recommend a transaction concerning a *Relevant Investment*;
- (B) act as a discretionary *Investment Manager*;
- (C) arrange or execute a deal in a *Warrant* or *Derivative*; or
- (D) engage in *Stock Lending*

with, to or for a *Retail Customer* unless it has taken reasonable steps to ensure that the *Retail Customer* understands the nature of the risks involved in the relevant activity or type of *Relevant Investment*.

- 10.5.2** The reasonable steps in Rule 10.5.1 must include the *Authorised Firm* providing the *Retail Customer* with a suitable risk disclosure and obtaining confirmation from the *Retail Customer* of his understanding of the nature of the risks involved.

- 10.5.3** An *Authorised Firm* can satisfy its obligations under Rule 10.5.2 where it sets out an appropriate written risk disclosure in its *Terms of Business* or another document that it has sent to the *Retail Customer*.

10.6 Information about the Authorised Firm

- 10.6.1** When it conducts *Investment Business* an *Authorised Firm* must take reasonable steps to ensure that a *Retail Customer* is given adequate information about:

- (A) the identity and business address of the *Authorised Firm* and any relevant agent of the *Authorised Firm*;
- (B) the *Authorised Firm's* regulatory status in the format described in GENE section 2.2; and
- (C) the identity, status and relationship with the *Authorised Firm* of *Employees* and any other agent with whom the *Retail Customer* may have contact

unless the *Retail Customer* has been given the information on a previous occasion and that information is still up to date.

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10.7 Excessive Charges and Disclosure of Charges

- 10.7.1** An *Authorised Firm* must ensure that its *Charges* to a *Retail Customer* made in connection with the conduct of *Investment Business* are not excessive.
- 10.7.2** When an *Authorised Firm's* *Charges* for advising on or managing a *Retail Customer's* assets are dependent on the value of *Relevant Investments* that are not *Readily Realisable Investments*, the valuation of those *Relevant Investments* must be based upon the price likely to be agreed between a willing buyer and a willing seller dealing at arms'-length who are both in possession of all freely available information concerning those *Relevant Investments*.
- 10.7.3** Subject to Rule 10.7.4, before an *Authorised Firm* conducts *Investment Business* with or for a *Retail Customer*, the *Authorised Firm* must disclose in writing to that *Retail Customer* the basis or amount of its *Charges* for conducting that business and the nature or amount of any other income receivable by it or, to its knowledge, by its *Associate* and attributable to that business.
- 10.7.4** Where an *Authorised Firm* wishes to enter into an *Execution-Only Transaction* or a *Long Term Insurance Contract* with a *Retail Customer* in circumstances where prior written disclosure would delay the transaction, the *Authorised Firm* may instead:
- (A) make the disclosure required by Rule 10.7.3 orally before the transaction is *Executed*; and
 - (B) provide written confirmation of the matters disclosed to the *Retail Customer* within five *Business Days* of the *Execution*.

11 Dealing and Managing

11.1 Application

11.1.1 This chapter applies to an *Authorised Firm* that conducts on *Investment Business* with or for *Customers*.

11.2 Best Execution

11.2.1 (1) Subject to (2) and Rule 11.2.3, when an *Authorised Firm* agrees, or decides in the exercise of its discretion, to *Execute* any transaction with or for a *Customer* in a *Relevant Investment*, it must provide best execution.

(2) Rule 11.2.1(1) does not apply to an *Authorised Firm* which merely arranges a transaction for a *Customer*.

(3) If another *Person* is responsible for the *Execution* of a transaction an *Authorised Firm* may rely on that *Person* to provide best execution provided that *Person* has undertaken to do so.

11.2.2 To provide best execution, an *Authorised Firm* must:

(A) take reasonable care to ascertain the price which is the best available for the *Customer Order* in the relevant market at the time for transactions of the kind and size concerned; and

(B) *Execute* the *Customer Order* at a price which is no less advantageous to the *Customer*, unless the *Authorised Firm* has taken reasonable steps to ensure that it would be in the *Customer's* best interests not to do so.

11.2.3 An *Authorised Firm* is not required to provide best execution to a *Business Customer* where the *Authorised Firm* has agreed with the *Business Customer* that it will not provide best execution.

11.2.4 In order to take reasonable care under Rule 11.2.2(A) an *Authorised Firm* must:

(A) calculate the best execution price before any previously disclosed *Charges* which might be payable;

(B) not take a *Mark-up* or *Mark-down*; and

(C) if it can access prices displayed by different exchanges and trading platforms and make a direct and immediate comparison, *Execute* the *Customer Order* at the best price available if this is in the best interest of the *Customer*.

11.3 Timely Execution

11.3.1 Once an *Authorised Firm* has agreed or decided in its discretion to *Execute* an *Existing Customer Order* in a *Relevant Investment*, it must do so as soon as reasonably practical unless Rule 11.3.2 applies.

11.3.2 Rule 11.3.1 does not apply if an *Authorised Firm* has taken reasonable steps to ensure that postponing the *Execution* of the *Existing Customer Order* is in the best interests of the *Customer*.

Guidance

Factors relevant to whether the postponement of an *Existing Customer Order* which may be in the best interests of the *Customer* include where:

- a. the *Customer Order* is received outside of normal trading hours;
- b. a foreseeable improvement in the level of liquidity in the *Relevant Investment* is likely to enhance the terms on which the *Authorised Firm* *Executes* the *Customer Order*; or
- c. *Executing* the *Customer Order* as a series of partial executions over a period of time is likely to improve the terms on which the order as a whole is *Executed*.

Record Keeping

11.3.3 An *Authorised Firm* must record details of orders and transactions as set out in Appendix 1, for at least six years from the date of the transaction.

11.4 Aggregation of Customer Orders

11.4.1 An *Authorised Firm* may aggregate a *Customer Order* for a *Customer* with an *Order* for other *Clients* or with an *Own Account Order* where:

- (A) the *Authorised Firm* believes that it is unlikely that the aggregation will operate to the disadvantage of any of the *Customers* whose transactions have been aggregated;
- (B) the *Authorised Firm* has disclosed orally or in writing to the *Customer* that his *Order* may be aggregated and that the effect of the aggregation may operate on some occasions to his disadvantage;
- (C) the *Authorised Firm* has made a record of the intended basis of allocation and the identity of each *Client* before the order is effected; and
- (D) the *Authorised Firm* has in place written a policy on aggregation and allocation which is consistently applied and includes a process that will be adopted when only part of the aggregated order has been filled.

11.5 Allocation of Relevant Investments

11.5.1 Where an *Authorised Firm* has aggregated a *Customer Order* with an *Order* for other *Clients* or with an *Own Account Order*, and part or all of the aggregated *Order* has been filled, it must promptly allocate the *Relevant Investment* in accordance with Rule 11.5.2 and fairly allocate the *Relevant Investment* in accordance with Rule 11.5.3.

Timely Allocation

11.5.2 For the purposes of Rule 11.5.1 to allocate a *Relevant Investment* promptly an *Authorised Firm* must:

- (A) allocate the *Relevant Investment* concerned within one *Business Day*; or
- (B) if only *Business Customers* or *Market Counterparties* are concerned and each of them has agreed to such an extension, allocate the *Relevant Investment* concerned within five *Business Days*.

Fair Allocation

11.5.3 For the purposes of Rule 11.5.1 an *Authorised Firm* must:

- (A) allocate the *Relevant Investments* in accordance with the stated intention;
- (B) ensure the allocation is done fairly and uniformly by not giving undue preference to itself or to any of those for whom it dealt; and
- (C) give priority to satisfying *Customer Orders* where the aggregation order combines a *Customer Order* and an *Own Account Order* if the aggregate total of all orders cannot be satisfied, unless it can demonstrate on reasonable grounds that without its own participation it would not have been able to *Execute* those orders on such favourable terms, or at all.

11.5.4 An *Authorised Firm* must make and maintain a record of:

- (A) the date and time of the allocation;
- (B) the *Relevant Investment*;
- (C) the identity of each *Client* concerned;
- (D) the amount allocated to each *Client* and to the *Authorised Firm* recorded against the intended allocation required in Rule 11.4.1(C); and
- (E) if applicable, the agreement with each *Business Customer* or *Market Counterparty* to extend the allocation period under Rule 11.5.2(B).

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11.5.5 An *Authorised Firm* must retain the records required in Rule 11.5.4 for at least six years from the date on which the order is allocated.

11.6 Customer Order Priority

11.6.1 An *Authorised Firm* must *Execute Existing Customer Orders* and *Own Account Orders* in respect of *Relevant Investments* fairly and in due turn.

11.6.2 An *Authorised Firm* will not be in breach of Rule 11.6.1 by *Executing* an *Own Account Order* while in possession of an *Existing Customer Order* in respect of *Relevant Investments* if it receives the relevant *Customer Order* after it had reached the decision to deal for itself or if the *Employee* taking the decision to deal for the *Authorised Firm* was unaware of that *Existing Customer Order* at the time of taking the decision.

Guidance

An *Authorised Firm* may postpone an *Existing Customer Order* if it reasonably believes that by doing so it is likely to improve the terms on which the order will be executed. However, the *Authorised Firm* must take care to ensure that *Customer Orders*, which are promoted as a result of the postponement, are also treated fairly.

11.7 Excessive Dealing and Switching

11.7.1 An *Authorised Firm* must not:

- (A) in the exercise of its discretion, *Execute* a transaction in a *Relevant Investment* for a *Customer*;
- (B) advise a *Customer* to enter into a transaction in a *Relevant Investment*;
- (C) make a personal recommendation to a *Retail Customer* to switch within a *Packaged Product* or between *Packaged Products* or make or arrange a switch that gives effect to such a recommendation; or
- (D) in the exercise of its discretion make or arrange a switch within a *Packaged Product* or between *Packaged Products* for a *Retail Customer*

with such a frequency or in such amounts that the transactions may be regarded as excessive.

11.7.2 In complying with Rule 11.7.1, the onus will be on the *Authorised Firm* to ensure that such transactions were fair, reasonable and in the *Customer's* best interests at the time they were entered into both when viewed in isolation and when viewed in the context of earlier transactions.

11.8 Non-Market Price Transactions

- 11.8.1** Subject to Rule 11.8.2, an *Authorised Firm* must not enter into a *Non-Market-Price Transaction* with or on behalf of a *Customer*, unless it has taken reasonable steps to ensure that the *Customer* is not entering into the transaction for an improper purpose.
- 11.8.2** Rule 11.8.1 does not apply to a *Non-Market-Price Transaction* if it is subject to the rules of a *Designated Exchange*.
- 11.8.3** An *Authorised Firm* must make a record of the information it has obtained in satisfying Rule 11.8.1. The *Authorised Firm* must retain the record for at least six years after the information is obtained.

11.9 Right to Realise a Retail Customers Assets

- 11.9.1** An *Authorised Firm* must not realise a *Retail Customers* assets, unless it is legally entitled to do so, and has either:
- (A) set out in the *Terms of Business*:
 - (i) the action it may take to realise any assets of the *Retail Customer*;
 - (ii) the circumstances in which it may do so; and
 - (iii) each asset (if relevant) or type or class of asset over which it may exercise the right; or
 - (B) given the *Retail Customer* written or oral notice of its intention to exercise its rights at least three *Business Days* before it does so.

12 Terms of Business

12.1 Application

- 12.1.1** This chapter applies to any *Authorised Firm* that conducts *Investment Business* or *Deposit Taking Business* with or for *Customers*.

12.2 Terms of Business

- 12.2.1** Subject to Rule 12.2.3 an *Authorised Firm* must within a reasonable time before it carries on *Investment Business* with or for a *Customer*, provide that *Customer* with its *Terms of Business*, setting out the basis on which the *Investment Business* or *Deposit Taking Business* is to be conducted with or for the *Customer*.

- 12.2.2** Subject to Rule 12.2.3, an the *Authorised Firm* must, before it carries on *Investment Business* or *Deposit Taking Business* with or for a *Retail Customer*, ensure that the *Retail Customer* has signed or otherwise consented in writing to the contents of the *Authorised Firm's Terms of Business*.

Exceptions

- 12.2.3** The requirements in Rules 12.2.1 and 12.2.2 do not apply if:

- (A) the *Investment Business* or *Deposit Taking Business* performed is after termination of the *Terms of Business* and the *Authorised Firm* is acting for the purposes only of fulfilling any obligations still outstanding under the *Terms of Business*; or
- (B) the *Authorised Firm* is entering into or bringing about an *Execution-Only Transaction* (apart from a *Contingent Liability Transaction* with or for a *Retail Customer*).

Contents of Terms of Business

- 12.2.4** An *Authorised Firm* must ensure that its *Terms of Business* provided in accordance with this section:

- (A) sets out in adequate detail, the basis on which it will conduct *Investment Business* or *Deposit Taking Business* with the *Customer*; and
- (B) contains the information outlined in Appendix 2, as applicable.

- 12.2.5** (1) Subject to (2), if an *Authorised Firm* is required to provide a *Customer* with a written disclosure under the *Regulatory System* it may satisfy this obligation by providing the disclosure in the *Terms of Business* provided to the *Customer*.

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- (2) If the disclosure in (1) requires specific consent or acknowledgement by the *Customer* there must be specific provision for this consent or acknowledgement in the *Terms of Business*.

Guidance

When an *Authorised Firm* conducts *Deposit Taking Business*, the contents of the *Terms of Business* in Appendix 2 should be adapted accordingly.

- 12.2.6** An *Authorised Firm* is not required to provide information under Rule 12.2.4 that, by its nature, is unavailable at the time the *Terms of Business* are issued. In such circumstances, the *Authorised Firm* must notify the *Customer* of the information as soon as practicable after it becomes available.
- 12.2.7** An *Authorised Firm's Terms of Business* provided to a *Customer* may comprise more than one document, if it is clear that collectively they constitute the *Terms of Business*.
- 12.2.8** If the *Terms of Business* provided to a *Customer* allows an *Authorised Firm* to amend its terms without the *Customer's* consent, the *Authorised Firm* must give at least ten *Business Days* notice to a *Customer* before conducting *Investment Business* or *Deposit Taking Business* with or for that *Customer* on any amended terms, unless it is impracticable in the circumstances to do so.

Record Keeping

- 12.2.9** An *Authorised Firm* must maintain a record of each *Terms of Business* it provides to a *Customer*, and any amendment to them, as soon as the *Terms of Business* comes into force.
- 12.2.10** The records in Rule 12.2.9 must be retained for at least six years from the date on which the *Authorised Firm* ceases to conduct business with or for that *Customer*.

13 Reporting to Customers

13.1 Application

- 13.1.1** This chapter applies to an *Authorised Firm* that carries on *Investment Business* with or for *Customers*.

13.2 Confirmation Notes

- 13.2.1** Subject to Rule 13.2.6, when an *Authorised Firm Executes* a transaction in a *Relevant Investment* for a *Customer*, it must promptly despatch to the *Customer* a written confirmation note recording the essential details of the transaction.

- 13.2.2** For the purposes of Rule 13.2.1, an *Authorised Firm* may despatch a confirmation note to an agent (other than the *Authorised Firm* or an *Associate* of the *Authorised Firm*) nominated by the *Customer* in writing.

Omission of Information

13.2.3 If:

- (A) a *Person* fails to supply information which the *Authorised Firm* requires for inclusion in a confirmation; or
- (B) the transaction involves a conversion of one currency into another and the *Authorised Firm* has not made that conversion

the *Authorised Firm* may omit this information from the confirmation, provided the fact of its omission is stated with an indication that it is to be supplied later (or that it cannot be supplied at all if that is the case). The relevant information must then be supplied to the *Customer* promptly after receipt.

When a Transaction is Treated as Executed

13.2.4 When an *Authorised Firm*:

- (A) executes a transaction outside normal market hours, the transaction must be treated as executed on the following *Business Day*;
- (B) executes a series of transactions, all the transactions may be treated as executed at the time of the last transaction so long as a record of the time that each individual transaction was executed is made, for example, by means of a time stamp; and
- (C) aggregates and then subsequently allocates a *Customer Order* with an *Own Account Order* or with another *Customer Order*, the transaction must be treated as executed at the time of allocation under section 11.5.

Content of Confirmation Notes

13.2.5 The confirmation note must include the details of the transaction in accordance with Appendix 3.

Exceptions

13.2.6 Subject to Rule 13.2.7, an *Authorised Firm* is not required to issue a confirmation note where:

- (A) the *Customer* has advised the *Authorised Firm* (in writing if the *Customer* is a *Retail Customer*) that he does not wish to receive such confirmation notes either generally or in specified circumstances;
- (B) an arrangement is in place for the *Customer* to make a series of payments for the purchase of *Units* in a *Collective Investment Fund*;
- (C) the *Authorised Firm* is acting as an *Investment Manager* for the *Customer* and:
 - (i) the transaction is not a *Contingent Liability Transaction*; and
 - (ii) the *Authorised Firm* has taken reasonable steps to determine that the *Customer* does not wish to receive confirmation notes with generally or in specified circumstances; or
- (D) it would duplicate a confirmation containing the essential details of the transaction (other than those that are specific to the *Authorised Firm*) which is to be promptly dispatched by someone else.

13.2.7 An *Authorised Firm* may rely upon the exceptions in Rule 13.2.6(A) or (C) only if any periodic statement which the *Authorised Firm* provides to the *Customer* in accordance with section 13.3 contains the information (that is still relevant) that would have been contained in a confirmation note relating to the transactions executed during the relevant period.

Record Keeping

13.2.8 An *Authorised Firm* must retain a copy of each confirmation note sent to a *Customer* and retain it for at least six years from the date of despatch.

13.3 Periodic Statements

13.3.1 Subject to Rule 13.3.3, when an *Authorised Firm*:

- (A) acts as an *Investment Manager* for a *Customer*; or
- (B) operates a *Customer's* account containing *Relevant Investments*

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it must promptly and at the intervals specified in Rule 13.3.2, provide the *Customer* with a written periodic statement containing the matters referred to in Appendix 4.

Intervals

13.3.2 An *Authorised Firm* must provide a periodic statement:

- (A) six-monthly to a *Customer*;
- (B) monthly, if the *Customer* is a *Retail Customer* and the *Retail Customer's* portfolio includes an uncovered open position resulting from a *Contingent Liability Transaction*; or
- (C) at any alternative interval, if a *Customer* has on his own initiative agreed with the *Authorised Firm* but in any case at least annually.

Exceptions

13.3.3 An *Authorised Firm* need not provide a periodic statement if it would duplicate a statement to be provided by someone else.

Record Keeping

13.3.4 An *Authorised Firm* must make a copy of any periodic statement provided to a *Customer* and retain it for at least six years from the date on which it was provided.

Part 3

Guidance

The provisions in Part 3 only apply to an *Authorised Firm* in Rule 1.1.1 with respect to the conduct of:

- a. *Insurance Business*; and
- b. *Insurance Mediation Business* in respect of *Non-Investment Insurance Contracts*.

14 Insurance and Insurance Mediation Business

14.1 Application

- 14.1.1** (1) Subject to (2) and (3), this chapter applies to an *Authorised Firm* conducting *Insurance Mediation Business* in or from the QFC in relation to *Non-Investment Insurance Contracts*.
- (2) This chapter does not apply in respect of business referred to in (1) if that business relates to *Reinsurance Contracts*.
- (3) With the exception of section 14.12 (claims), this chapter does not apply with respect to a *Person* under a group policy who is not the legal holder of the policy unless the *Authorised Firm* recommends that that *Person* becomes a member of that group policy.
- 14.1.2** Sections 14.2, 14.4, 14.8, 14.9, 14.11, 14.12 and 14.13 of this rulebook apply to an *Authorised Firm* conducting *Insurance Business* in or from the QFC.

Guidance

The definition of *Insurance Mediation Business* includes an *Insurer* when the *Insurer* is carrying on *Insurance Mediation* activities, for example when, through its sales force, it advises on or arranges its own *Non-Investment Insurance Contracts* or those of another *Insurer*.

14.2 Restrictions on Insurance Business

- 14.2.1** (1) An *Insurer* must not carry on, in or from the QFC, both *Long Term Insurance Business* and *General Insurance Business* unless the *General Insurance Business* is restricted to *Categories 1* (accident) and *2* (sickness).
- (2) An *Insurer* which is a *Protected Cell Company* must ensure that, when it carries on *Insurance Business*, such business is attributable to a particular *Cell* of that *Insurer*.
- 14.2.2** An *Insurer* must not carry on any activity other than *Insurance Business* unless it is an activity in direct connection with or for the purposes of such business. For the purposes of this *Rule*, *Managing Investments* is not an activity in connection with or for the purposes of *Insurance Business*.

Guidance

1. The following activities will normally be considered in direct connection with or for the purposes of *Insurance Business* carried on by an *Insurer*:
 - a. investing, reinvesting or trading, as investor or *rabb ul maal* and for the *Insurer's* own account, that of its *Subsidiary*, its *Holding Company* or any *Subsidiary* of its *Holding Company* but not any other party, in *Shares*, *Debt Instruments*, investment accounts, *Units* in *Collective Investment Funds*, certificates of *mudaraba*, certificates of *musharaka* or other forms of investments that are intended to earn profit or return for the investor;

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- b. rendering other services related to *Insurance Business* operations including, but not limited to, actuarial, risk assessment, loss prevention, safety engineering, data processing, accounting, claims handling, loss assessment, appraisal and collection services;
 - c. acting as agent for another insurer in respect of *Contracts of Insurance* in which both insurers participate;
 - d. establishing *Subsidiaries* or *Associates* engaged or organised to engage exclusively in one or more of the businesses specified above; and
 - e. *Insurance Mediation Business*.
2. The *Regulatory Authority* may give individual guidance on other business activities that may be determined to be in direct connection with *Insurance Business*.

14.3 Client Classification

14.3.1 This section applies to an *Authorised Firm* conducting *Insurance Broking Business*.

14.3.2 Before conducting *Insurance Broking Business* with or for a *Person*, an *Authorised Firm* must classify that *Person* as a:

- (A) *Retail Customer*; or
- (B) *Commercial Customer*.

14.3.3 If an *Authorised Firm* is dealing with a *Person* who is an individual in relation to a *Contract of Insurance* which would cover him in both a private and business capacity, the *Authorised Firm* must classify that *Person* as a *Retail Customer*.

14.3.4 If it is not clear in a particular case whether a *Person* is a *Retail Customer* or a *Commercial Customer*, an *Authorised Firm* must classify that *Person* as a *Retail Customer*.

14.4 Duty of Disclosure

14.4.1 This section applies to an *Authorised Firm* conducting *Insurance Broking Business* or *Insurance Business*.

14.4.2 An *Authorised Firm* must explain to a *Client*:

- (A) the duty to disclose all circumstances material to the insurance; and
- (B) the consequence of any failure to make such disclosures

both before the insurance commences and during the continuance of the policy.

CONDUCT OF BUSINESS (COND)

14.4.3 An *Authorised Firm* must explain to a *Client* that all answers or statements given on a proposal form, claim form or any other relevant document are the *Client's* own responsibility and that the *Client* is responsible for checking the accuracy of such information.

14.4.4 If an *Authorised Firm* believes that any disclosure of material facts by a *Client* is not true, fair or complete it must request the *Client* to make the necessary true, fair or complete disclosure, and if this is not forthcoming must consider declining to continue acting on that *Client's* behalf.

14.5 Status Disclosure

14.5.1 This section applies to an *Authorised Firm* conducting *Insurance Broking Business*.

14.5.2 Before conducting *Insurance Broking Business* with or for a *Client* an *Authorised Firm* must disclose whether it acts on behalf of an *Insurer* or any other *Person* or acts independently on behalf of that *Client*.

14.5.3 Subject to Rule 14.5.4, an *Authorised Firm* must disclose the following information to the *Client* in writing at any time before conclusion of a *Non-Investment Insurance Contract*:

- (A) the name and address of the *Authorised Firm*;
- (B) the *Authorised Firm's* regulatory status in the format described in GENE section 2.2;
- (C) unless the *Authorised Firm* is an insurer, details of any direct or indirect holdings that the *Authorised Firm* has that represent more than ten per cent of the voting rights or capital in an insurer;
- (D) unless the *Authorised Firm* is an insurer, details of any direct or indirect holdings that an insurer or its parent has that represent more than ten per cent of the voting rights or capital in the *Authorised Firm*;
- (E) in relation to the *Non-Investment Insurance Contract* provided, whether the *Authorised Firm* has provided, or will provide, advice or information:
 - (i) on the basis of a fair analysis of the market;
 - (ii) from a limited number of insurers; or
 - (iii) from a single insurer;
- (F) if the contract provided has not been selected on the basis of a fair analysis of the market, that the *Client* can request a copy of the list of the insurers the *Authorised Firm* selects from or deals with in relation to the contract provided; and
- (G) how to complain to the *Authorised Firm* in accordance with chapter 5.

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Guidance

Pursuant to Rule 14.5.3(A):

- a. where an *Authorised Firm* trades under a different name from that under which it has been granted *Authorisation*, it should disclose the name under which it appears on the *Regulatory Authority's* public register; and
- b. an *Authorised Firm* should disclose its head office address or, if more appropriate, the principal place of business from which it intends to conduct business with the *Client*.

14.5.4 The information required in accordance with Rule 14.5.3 may be provided orally before the conclusion of the contract:

- (A) if requested by the *Client*; or
- (B) the *Client* requires immediate cover

and the information is provided in writing promptly after the conclusion of the contract.

14.6 Suitability

14.6.1 This section applies to an *Authorised Firm* conducting *Insurance Broking Business*.

- 14.6.2**
- (1) An *Authorised Firm* may only recommend that a *Client* enters into a *Non-Investment Insurance Contract* where it has taken reasonable steps to ensure the recommendation is suitable for that *Client's* demands and needs at the time the recommendation is made.
 - (2) The recommendation in (1) must be based on the scope of the service disclosed to the *Client* in accordance with Rule 14.5.3(E).

14.6.3 An *Authorised Firm* may make a recommendation of a *Non-Investment Insurance Contract* that does not meet all of the *Client's* demands and needs, provided that:

- (A) there is no *Non-Investment Insurance Contract* within the *Authorised Firm's* scope, as disclosed to the *Client* in accordance with Rule 14.5.3(E), that meets all of the *Client's* demands and needs; and
- (B) the *Authorised Firm* identifies to the *Client*, at the point at which the recommendation is made, the demands and needs that are not met by the contract that it recommends.

14.6.4 Where an *Authorised Firm* is instructed to obtain insurance which is contrary to the recommendation that the *Authorised Firm* has given to that *Client*, the *Authorised Firm* must obtain from the *Client* written confirmation of the *Client's* instructions before arranging or buying the relevant insurance.

14.7 Identifying and Assessing the Client's Demands and Needs

14.7.1 This section applies to an *Authorised Firm* conducting *Insurance Broking Business*.

14.7.2 In identifying the *Client's* demands and needs, an *Authorised Firm* must:

- (A) obtain from the *Client* such information about the *Client's* personal and financial circumstances and objectives as might reasonably be expected to be relevant;
- (B) have regard to any relevant details about the *Client* that are readily available and accessible to the *Authorised Firm*; and
- (C) explain to the *Client* his duty to disclose all circumstances material to the *Non-Investment Insurance Contract* and the consequences of any failure to make such a disclosure, both before the insurance commences and throughout the duration of the contract.

14.7.3 In assessing whether a *Non-Investment Insurance Contract* is suitable to meet a *Client's* demands and needs, an *Authorised Firm* must take into account at least the following matters:

- (A) whether the level of cover is sufficient for the risks that the *Client* wishes to insure;
- (B) the cost of the contract, where this is relevant to the *Client's* demands and needs; and
- (C) the relevance of any exclusions, excesses, limitations or conditions in the contract.

14.7.4 (1) Subject to (3) and (4), where an *Authorised Firm Arranges Deals in Investments* relating to *Contracts of Insurance* for a *Client* to enter into a *Non-Investment Insurance Contract* (including at renewal), it must, before the conclusion of that contract, provide the *Client* with a written statement:

- (A) setting out the *Client's* demands and needs;
 - (B) confirming whether or not the *Authorised Firm* has recommended that contract; and
 - (C) if applicable, explaining the reasons for recommending that contract.
- (2) The statement in (1) may be provided orally if the *Client* requests it or requires immediate cover, in which case the information must be provided in writing immediately after the conclusion of the contract.
- (3) Rule 14.7.4(1) does not apply to an *Insurer* when dealing with a *Commercial Customer*, unless the *Insurer* makes a recommendation to that *Commercial Customer*.

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- (4) An *Insurer* need not provide a *Commercial Customer* with a statement of demands and needs if the *Commercial Customer* has consented to not receiving it.

Guidance

1. The statement in Rule 14.7.4 should explain why the *Client's* demands and needs combine to make the recommended contract suitable for the *Client*. It should not merely state what contract is being recommended with no link to the *Client's* demands and needs.
2. An *Authorised Firm* that offers contracts from more than one insurer should include a statement of why a particular insurer has been recommended; reasons may include contract features not available anywhere else, price, or service levels.
3. An *Authorised Firm* may provide the demands and needs statement as part of another document, such as an application form.
4. Where the *Authorised Firm* has not made a recommendation it may provide the demands and needs statement as part of an application form, for example, the application form might include a statement along the lines of: 'if you answer "yes" to questions 1, 2 and 3 your demands and needs are those of a person requiring insurance to drive a car legally in Qatar'. Alternatively the demands and needs statement may be included in product documentation that will be appropriate for anyone wishing to buy the product, for example, 'this policy meets the needs of those wishing to be covered against specific risks whilst travelling throughout the GCC. Cover is provided subject to various terms and conditions, which should be read carefully'.

- 14.7.5** (1) An *Authorised Firm* that makes a recommendation to a *Client* must retain a record of the recommendation and the statement required by Rule 14.7.4 for at least six years.
- (2) An *Authorised Firm* need not retain the records in (1) where the *Client* does not act on the recommendation.

14.8 Information About the Proposed Insurance

14.8.1 This section applies to an *Authorised Firm* conducting *Insurance Broking Business* or *Insurance Business*.

14.8.2 An *Authorised Firm* must provide adequate information in a comprehensive and timely manner to enable a *Client* to make an informed decision about the *Contract of Insurance* being proposed, including the essential cover and benefits, any significant or unusual restrictions, exclusions, conditions or obligations, and the period of cover.

14.8.3 An *Authorised Firm* conducting *Insurance Broking Business* must, when giving a quotation:

- (A) take due care to ensure the accuracy of the quotation and its ability to obtain the insurance at the quoted terms; and
- (B) if an *Authorised Firm* is unable to match a *Client's* requirements it must explain the differences in the insurance proposed.

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Guidance

An *Authorised Firm* should take into consideration the knowledge held by the *Client* when deciding to what extent it is appropriate to explain the terms and conditions of a particular insurance to that *Client*.

14.9 Confirmation of Cover

14.9.1 This section applies to an *Authorised Firm* conducting *Insurance Broking Business* or *Insurance Business*.

14.9.2 An *Authorised Firm* must, as soon as reasonably possible, provide a *Client* with written confirmation and details of the insurance which it has effected for it including any changes to the *Contract of Insurance*.

14.9.3 An *Authorised Firm* must as soon as reasonably practical provide the *Client* with the full policy documentation where this was not included with the confirmation of cover.

14.10 Costs and Remuneration

14.10.1 This section applies to an *Authorised Firm* conducting *Insurance Broking Business* or *Insurance Management*.

14.10.2 An *Authorised Firm* must provide details of the costs of each *Contract of Insurance* or service offered to a *Client*.

14.10.3 An *Authorised Firm* must ensure that it does not impose any fees or charges without first disclosing the amount and the purpose of the charge to the *Client*.

14.10.4 An *Authorised Firm* must, on the request of any *Client*, disclose to that *Client* all commissions and other economic benefits accruing to the *Authorised Firm* or any member of the same *Group* from any business transacted on behalf of that *Client*.

14.10.5 An *Authorised Firm* must disclose to a *Client* any payment that it receives for providing to, or securing on behalf of, its *Client* any additional insurance related services.

14.11 Amendments to and Renewal of Insurance

14.11.1 This section applies to an *Authorised Firm* conducting *Insurance Broking Business* or *Insurance Business*.

14.11.2 An *Authorised Firm* must deal promptly with a *Client's* request for an amendment to the insurance cover and provide the *Client* with full details of any premium or charges to be paid or returned.

14.11.3 An *Authorised Firm* must provide a *Client* with written confirmation when the amendment is made and remit any return premium or charges due to the *Client* without delay.

14.11.4 An *Authorised Firm* must give adequate advance notification to a *Client* of the renewal or expiration date of an existing insurance policy so as to allow the *Client* sufficient time to consider whether continuing cover is required.

14.12 Claims

14.12.1 Where an *Authorised Firm* handles insurance claims it must handle claims fairly and promptly and keep the *Client* informed of progress.

14.12.2 An *Authorised Firm* must give the *Client* reasonable guidance in pursuing a claim under the relevant policy.

14.12.3 If an *Authorised Firm* is unable to deal with any part of a claim it must inform the *Client* in writing.

14.12.4 An *Insurer* must not:

- (A) unreasonably reject a claim made by a *Client*; nor
- (B) except where there is evidence of fraud, refuse to meet a claim made by a *Retail Customer* on the grounds:
 - (i) of non-disclosure of a fact material to the risk that the *Retail Customer* could not reasonably be expected to have disclosed;
 - (ii) of misrepresentation of a fact material to the risk, unless the misrepresentation is negligent;
 - (iii) in the case of a *General Insurance Contract*, of breach of warranty or condition, unless the circumstances of the claim are connected with the breach; or
 - (iv) in the case of a *Non-Investment Insurance Contract* which is a *Pure Protection Contract*, of breach of warranty, unless the circumstances of the claim are connected with the breach and unless:
 - (a) under a life of another contract, the warranty relates to a statement of fact concerning the life to be assured and that statement would have constituted grounds for rejection of a claim by the *Insurer* under B(i) or (ii) if it had been made by the life to be assured under an own life contract; or
 - (b) the warranty is material to the risk and was drawn to the attention of the *Retail Customer* before the conclusion of the contract.

14.13 Communication with Customers

14.13.1 Where a *Contract of Insurance* is effected jointly, the information required by any *Rule* in this chapter may be sent only to the first-named *Client*.

App1: Record Keeping of Transactions

A1.1 Records of Customer Orders

A1.1.1 This section applies to an *Authorised Firm* that:

- (A) receives (or, in the exercise of its discretion, decides to effect) a *Customer Order*;
- (B) *Executes*, or passes to another *Person* for execution, a *Customer Order*; or
- (C) in addition to (A) and (B), also *Executes* an *Own Account Order*.

A1.1.2 An *Authorised Firm* must ensure by the establishment and maintenance of appropriate procedures that it promptly records adequate information in relation to the events in this section, including *Own Account Orders*, and the minimum information which should be recorded is set out below:

	The event which will trigger a record:	The Authorised Firm should record:
(A)	When a <i>Customer Order</i> arises:	<ul style="list-style-type: none"> (i) the <i>Customer's</i> name or other means of identification and account number; (ii) the date and time of: <ul style="list-style-type: none"> (a) receipt by the <i>Authorised Firm</i> of the <i>Customer Order</i>; or (b) the decision by the <i>Authorised Firm</i> to deal; (iii) the identity of the <i>Employee</i> who received the <i>Customer Order</i> or made the decision in (ii)(a) and (b); (iv) (a) the <i>Relevant Investment</i> concerned; and <ul style="list-style-type: none"> (b) the number or total value of, the <i>Relevant Investment</i> (including any price limit); (v) whether the <i>Customer Order</i> is for a purchase or sale; and (vi) any other instruction received by the <i>Authorised Firm</i> from the <i>Customer</i> with regards to the <i>Execution</i> of the <i>Customer Order</i>.
(B)	When the <i>Authorised Firm Executes</i> a	<ul style="list-style-type: none"> (i) the <i>Customer's</i> name or other means of identification and account number (unless the

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	The event which will trigger a record:	The Authorised Firm should record:
	transaction:	<ul style="list-style-type: none"> (i) transaction was an <i>Own Account Order</i>; (ii) the name of the counterparty if known to the <i>Authorised Firm</i>; (iii) the date and time of the transaction, if available; (iv) the identity of the <i>Employee Executing</i> the transaction; (v) (a) the <i>Relevant Investment</i> concerned; and (b) the number or total value of the <i>Relevant Investment</i>; (vi) the price and other significant terms (including exchange rate details if relevant); and (vii) whether the transaction was a purchase or a sale.
(C)	When the <i>Authorised Firm</i> passes a <i>Customer Order</i> to another <i>Person</i> for <i>Execution</i> :	<ul style="list-style-type: none"> (i) the name of the <i>Person</i> instructed; (ii) the terms of the instructions; and (iii) the date and time that the instruction was given.

A1.1.3 Where an *Authorised Firm* acts as an *Investment Manager* and its decision to effect a transaction on behalf of a *Customer* is contemporaneous with the *Execution* of the relevant *Customer Order* or its passing of the relevant *Customer Order* to another *Person* for *Execution*, the *Authorised Firm* does not need to create a separate record relating to the time of the decision to deal and the time of *Execution* or, as the case may be, the time of passing the *Order* to the relevant third party, provided that the transaction record contains a note or other indication that these occurred contemporaneously.

A1.1.4 Rule A1.1.2(B) does not apply to an *Authorised Firm* which merely arranges a transaction for a *Customer*.

Record Keeping

A1.1.5 An *Authorised Firm* must retain the records referred to in Rule A1.1.2 for at least six years after the date of the event described in the second column of the table shown in Rule A1.1.2.

App2: Content of Terms of Business

A2.1 General Requirements

A2.1.1 An *Authorised Firm's Terms of Business* provided to a *Customer* must as a minimum include, as applicable, a provision about each of the following items:

- (A) Commencement: when and how the *Terms of Business* are to come into force;
- (B) Status: the *Authorised Firm's* regulated status in the format described in GENE section 2.2;
- (C) Services: the services that the *Authorised Firm* will provide;
- (D) Fees: details of the payment terms of the *Authorised Firm*, including where appropriate:
 - (i) the basis of calculation;
 - (ii) how it is to be paid and collected;
 - (iii) how frequently it is to be paid; and
 - (iv) whether or not any other payment is receivable by the *Authorised Firm* (or to its knowledge by any of its *Associates*) in connection with any transaction *Executed* by the *Authorised Firm*, with or for the *Customer*, in lieu of any fees;
- (E) Conflicts of Interest: the manner in which conflicts of interest or material interest will be dealt with, as described in section 4.2;
- (F) Soft Dollar Agreements: whether *Soft Dollar Agreements* or *Bundled Brokerage Arrangements* are or may be in place with the *Authorised Firm* as described in section 8.3;
- (G) Complaints: how to complain to the *Authorised Firm*, as described in section 5.2;
- (H) Best Execution: when the obligation to provide best execution can be and is to be waived, as described in section 11.2, a statement that:
 - (i) the *Authorised Firm* does not owe a duty of best execution; or
 - (ii) the circumstances in which it does not owe such a duty;
- (I) Investment Objectives: the *Customer's* investment objectives;

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- (J) Restrictions: any investment restrictions, including without limitation, restrictions relating to the types of *Relevant Investments* to be invested in and the types of markets in which transactions should be made or a statement that there are no restrictions;
- (K) Instructions: the arrangements for giving instructions to the *Authorised Firm* and acknowledging those instructions;
- (L) Accounting: the arrangements for accounting to the *Customer* for any transaction *Executed* on his behalf;
- (M) Acting as Principal: that the *Authorised Firm* may act as principal in a transaction with the *Customer*, if that is the case;
- (N) Customers understanding of risk: when an *Authorised Firm* chooses to fulfil its obligations under section 10.5, the relevant risk disclosures;
- (O) Stock Lending: in the case of a *Retail Customer*, that the *Authorised Firm* may undertake *Stock Lending* with or for the customer, if this is the case, specifying:
 - (i) the assets to be lent;
 - (ii) the type and value of relevant collateral from the borrower; and
 - (iii) the method and amount of payment due to the *Retail Customer* in respect of the lending;
- (P) Right to realise a *Retail Customer's* assets: the information required by section 11.9; and
- (Q) Termination: the termination method and the consequences of termination.

A2.2 Investment Management

A2.2.1 The content of an *Authorised Firm's Terms of Business* where it acts as an *Investment Manager* for a *Customer* should, in addition to section A2.1 above include, as applicable, a provision about each of the following items:

- (A) Composition: the initial composition and value of the portfolio to be managed and the on-going composition of the portfolio;
- (B) Discretion: the extent of the discretion and whether there are any restrictions or that there are no such restrictions;
- (C) Valuation: the basis on which the assets being managed are to be valued;

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- (D) Underwriting: whether the *Authorised Firm* may commit the *Customer* to any obligation to underwrite or sub-underwrite any issue or offer of securities, and if so, details of any relevant restrictions or limits of the extent of the underwriting; and
- (E) Borrowing: whether the *Authorised Firm* may borrow on its *Customer's* behalf and, if so, the circumstances in which it may do so, the limits and, if applicable, where those limits can be exceeded.

App3: Content of Confirmation Notes

A3.1 General Requirements

A3.1.1 The general content of a confirmation note must include a provision about each of the following items:

- (A) the *Authorised Firm's* name and address;
- (B) the *Authorised Firm's* regulated status in the format described in GENE section 2.2;
- (C) if the *Authorised Firm* executed a transaction in as principal or agent, that fact;
- (D) the *Customer's* name or other designation and account number;
- (E) a description of the *Relevant Investment*, including the amount invested;
- (F) whether the transaction is a sale or purchase;
- (G) the price or unit price at which the transaction was executed;
- (H) where the transaction involves a conversion of currency, the rate of exchange obtained;
- (I) the date of the transaction;
- (J) either:
 - (i) the time of the transaction; or
 - (ii) a statement that information about the time of the transaction will be supplied on request;
- (K) the total amount payable and the date on which it is due;
- (L) the remuneration of the *Authorised Firm* and that of any *Associate* (unless that *Associate* is not obliged to disclose it to the *Authorised Firm*, as a result of the *Authorised Firm's* being its *Customer*, or otherwise) in connection with the transaction;
- (M) the amount of any *Commission*, any *Mark-up* or *Mark-down*, fees, taxes or duties, unless included in remuneration mentioned in (K) above; and
- (N) if the transaction involved, or will involve, the purchase of one currency with another, the rate of exchange involved or a statement that the rate will be supplied when the currency has been purchased, including if applicable the maturity or expiry date of any currency hedge.

A3.2 Additional Information Required for Derivatives

A3.2.1 The content of a confirmation note relating to transactions in *Derivatives* must, in addition to section A3.1 include as applicable, a provision about each of the following items:

- (A) the maturity, delivery or expiry date of the *Derivative*;
- (B) in the case of an *Option*, a reference to the last exercise date, whether it can be exercised before maturity and the strike price;
- (C) whether the exercise creates a sale or purchase in the underlying asset;
- (D) if the transaction closes out an open *Futures* position, all essential details required in respect of each contract comprised in the open position and each contract by which it was closed out and the profit or loss to the customer arising out of closing out that position (a difference account); and
- (E) on the exercise of an option:
 - (i) the date of exercise, and either the time of exercise and that the *Customer* will be notified of that time on request; and
 - (ii) the strike price of the option (for a currency option, the rate of exchange will be the same as the strike price) and, if applicable, the total consideration from or to the *Customer*.

A3.3 Additional Information Required for Collective Investment Funds

A3.3.1 The content of a confirmation note relating to transactions in *Units in a Collective Investment Fund* must, in addition to section A3.1 include, as applicable, a provision about each of the following items:

- (A) if the *Authorised Firm* is not the operator and the transaction was *Executed* with the *Customer* by the *Authorised Firm* as principal, that fact;
- (B) the name of the fund and the type and number of units involved;
- (C) the amount of:
 - (i) the operators initial charges (in cash or percentage terms), if any; and
 - (ii) any charges (other than initial charges) made by the *Authorised Firm* to the *Customer* in respect of the transaction and, unless such charges to the *Customer* are made on the same basis, the basis on which the amount of the charges was determined; and

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- (D) a statement that the price at which the transaction has been *Executed* is on a historic price or forward price basis, as the case may be.

App4: Content of Periodic Statements

A4.1 General Requirements

A4.1.1 The general content of a periodic statement as at the end of the period covered must, as applicable, include a provision about each of the following items:

- (A) Contents and value: the number, description and value of each *Relevant Investment* held; the amount of cash held; and the total value of the portfolio;
- (B) Basis of valuation: a statement of the basis on which the value of each *Relevant Investment* has been calculated and, if applicable, a statement that the basis for valuing a particular *Relevant Investment* has changed since the previous periodic statement. If any *Relevant Investments* are shown in a currency other than the usual one used for valuation of the portfolio, the relevant currency exchange rates must be shown; and
- (C) Confirmations: if the *Authorised Firm*, relied upon the exception in Rule 13.2.7 to the requirement to provide a confirmation note, the information that would have been contained in the confirmation.

A4.2 Investment Management

A4.2.1 The content of a periodic statement where the *Authorised Firm* acts as an *Investment Manager* for a *Customer* must in addition to section A4.1 include, as applicable, a provision about each of the following items:

- (A) Loans: a statement of which *Relevant Investments* (if any) were at the closing date loaned to any third party and which *Relevant Investments* (if any) were at that date charged to secure borrowings made on behalf of the portfolio;
- (B) Loans & Borrowing: the aggregate of any interest payments made and income received during the account period in respect of loans or borrowings made during that period;
- (C) Transaction particulars: particulars of each transaction entered into for the portfolio during the period;
- (D) Transfers: the aggregate of money and particulars of all *Relevant Investments* transferred into and out of the portfolio during the period;
- (E) Interest: the aggregate of any interest payments, together with the dates of their application and dividends or other benefits received by the *Authorised Firm* for the portfolio during that period;

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- (F) Charges: if not previously advised in writing a statement of the aggregate charges of the *Authorised Firm* and its *Associates*; and
- (G) Remuneration: a statement of the amount (or, if provision of this information is not practicable, the basis) of any remuneration received by the *Authorised Firm* or its *Associates* or both from a third party in respect of the transactions entered into, or any other services provided, for the portfolio.

A4.3 Additional Information Required for Contingent Liability Transactions

A4.3.1 The content of a periodic statement relating to a transaction in *Contingent Liability Transaction* must in addition to section A4.1 include, as applicable, a provision about each of the following items:

- (A) Changes in value: the aggregate of money transferred into and out of the portfolio during the valuation period;
- (B) Open positions: in relation to each open position in the account at the end of the account period, the unrealised profit or loss to the *Customer*, before deducting or adding any commission which would be payable on closing out;
- (C) Closed positions: in relation to each transaction *Executed* during the account period to close out *Customer's* position, the resulting profit or loss to the *Customer* after deducting or adding any commission;
- (D) Aggregate of holdings: the aggregate of each of the following in, or relating to, the *Customer's* portfolio at the close of business on the valuation date:
 - (i) cash;
 - (ii) collateral value;
 - (iii) management fees; and
 - (iv) commission attributable to transactions during the period or a statement that this information has been separately disclosed in writing in earlier statements or confirmations to the *Customer*; and
- (E) Option account valuations: in respect of each *Option* contained in the account on the valuation date stating:
 - (i) the *Share, Future*, index or other *Relevant Investment* involved;
 - (ii) the trade price and date for the opening transaction, unless the valuation statement follows the statement for the period in which the *Option* was opened;
 - (iii) the market price for the contract; and

(iv) the exercise price for the contract.

A4.3.2 Instead of the detail required in Rule A4.3.1(B) and (C), the statement may show the net profit or loss in respect of the *Customer's* overall position in each contract.

A4.4 Additional Information Required for a Structured Capital at Risk Investment

A4.4.1 The content of a periodic statement relating to a transaction in *Structured Capital at Risk Investment* must in addition to section A4.1 include, as applicable, a provision about each of the following items:

- (A) Snapshot maturity value: a statement that the maturity value of the investment, on the assumption that the relevant index, indices, basket of selected investments or other factor remained at that level they were on the close date of the period covered; or
- (B) Changes in maturity value: a statement that the levels of the relevant index, indices, basket of selected investments or other factor, at which the maturity value of the investment would be less than the amount of the initial capital invested, and an indication of by how much less the maturity value would be; and
- (C) Risk warning: a risk warning that the value of the relevant index, indices, basket of selected investment, or other factor can go up or down.

App5: Additional Obligations in Relation to Research Recommendations

A5.1 Additional Obligations under section 5.3

- A5.1.1** (1) An *Authorised Firm* must take reasonable care to ensure that in a *Research Recommendation* at least:
- (A) all substantially material sources are indicated, including if appropriate, the *Issuer*, and in particular, the *Research Recommendation* indicates whether the *Research Recommendation* has been disclosed to that *Issuer* and amended following this disclosure before its dissemination;
 - (B) any basis of valuation or methodology used to evaluate a *Security*, a *Derivative* or an *Issuer*, or to set a price target for a *Security*, a *Derivative*, is adequately summarised;
 - (C) the meaning of any recommendation made, such as "buy", "sell" or "hold", which may include the time horizon of the *Security* or *Derivative* to which the *Research Recommendation* relates, is adequately explained and any appropriate risk warning, including a sensitivity analysis of the relevant assumptions, indicated;
 - (D) reference is made to the planned frequency, if any, of updates of the *Research Recommendation* and to any major changes in the coverage policy previously announced;
 - (E) the date at which the *Research Recommendation* was first released for distribution is indicated clearly and prominently, as well as the relevant date and time for any *Security* or *Derivative* price mentioned; and
 - (F) if the substance of a *Research Recommendation* differs from the substance of an earlier *Research Recommendation*, concerning the same *Security*, *Derivative* or *Issuer* issued during the 12 month period immediately preceding its release, this change and the date of the earlier *Research Recommendation* are indicated clearly and prominently.
- (2) If the requirements in (1)(A), (B) or (C) would be disproportionate in relation to the length of the *Research Recommendation*, an *Authorised Firm* may, instead, make clear and prominent reference in the *Research Recommendation* to the place where the required information can be directly and easily accessed by the public (such as a hyperlink to that information on an appropriate internet site of the *Authorised Firm*) provided that there has been no change in the methodology or basis of valuation used.

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- (3) In the case of a non-written *Research Recommendation*, the requirements of (1) do not apply to the extent that they would be disproportionate in relation to the length of the *Research Recommendation*.

General Standard for Disclosure of Interests and Conflicts of Interest

- A5.1.2** (1) An *Authorised Firm* must disclose, in a *Research Recommendation*:
- (A) all of its relationships and circumstances that may reasonably be expected to impair the objectivity of the *Research Recommendation*, in particular a significant financial interest in any *Relevant Investment* which is the subject of the *Research Recommendation*, or a significant conflict of interest with respect to an *Issuer*; and
 - (B) relationships and circumstances, of the sort referred to in (A), of each legal or natural person working for the *Authorised Firm* who was involved in preparing the substance of the *Research Recommendation*, disclosure of whether his remuneration is tied to investment banking transactions performed by the *Authorised Firm* or any affiliated company.
- (2) If the *Authorised Firm* is a legal person, the information to be disclosed in accordance with (1) must at least include the following:
- (A) any interests or conflicts of interest of the *Authorised Firm* or of an affiliated company that are accessible, or reasonably expected to be accessible, to the *Persons* involved in the preparation of the substance of the *Research Recommendation*; and
 - (B) any interests or conflicts of interest of the *Authorised Firm* or affiliated companies known to *Persons* who, although not involved in the preparation of the substance of the *Research Recommendation*, had or could reasonably be expected to have access to the substance of the *Research Recommendation* prior to its dissemination, other than *Persons* whose only access to the *Research Recommendation* is to ensure compliance with relevant regulatory or statutory obligations, including the disclosures required under this appendix.
- (3) If the disclosures required under (1) and (2) would be disproportionate in relation to the length of the *Research Recommendation* distributed, an *Authorised Firm* may, instead, make clear and prominent reference in the *Research Recommendation* to the place where such disclosures can be directly and easily accessed by the public.
- (4) The requirements in (1) do not apply, in the case of non-written *Research Recommendation*, to the extent that they are disproportionate in relation to the length of the *Research Recommendation*.

Additional Obligations for Producers of Research Recommendations in Relation to Disclosure of Interests or Conflicts of Interest

- A5.1.3** (1) A *Research Recommendation* produced by an *Authorised Firm* must disclose clearly and prominently the following information on its interests and conflicts of interest:
- (A) major shareholdings that exist between it or any *Associate* on the one hand and the *Relevant Issuer* on the other hand, including at least:
 - (i) shareholdings exceeding 5% of the total issued share capital in the *Relevant Issuer* held by the *Authorised Firm* or any affiliated company; or
 - (ii) shareholdings exceeding 5% of the total issued share capital of the *Authorised Firm* or any affiliated company held by the *Relevant Issuer*;
 - (B) any other financial interests held by the *Authorised Firm* or any *Associate* in relation to the *Relevant Issuer* which are significant in relation to the *Research Recommendation*;
 - (C) if applicable, a statement that the *Authorised Firm* or any *Associate* is a market maker or liquidity provider in the *Securities* of the *Relevant Issuer* or in any related *Derivatives*;
 - (D) if applicable, a statement that the *Authorised Firm* or any *Associate* has been lead manager or co-lead manager over the previous 12 months of any publicly disclosed offer of *Securities* of the *Relevant Issuer* or in any related *Derivatives*;
 - (E) if applicable, a statement that the *Authorised Firm* or any *Associate* is party to any other agreement with the *Relevant Issuer* relating to the provision of investment banking services, provided that:
 - (i) this would not entail the disclosure of any confidential commercial information; and
 - (ii) the agreement has been in effect over the previous 12 months or has given rise during the same period to a payment or to the promise of payment; and
 - (F) if applicable, a statement that *Authorised Firm* or any *Associate* is party to an agreement with the *Relevant Issuer* relating to the production of the *Research Recommendation*.
- (2) An *Authorised Firm* must disclose, in general terms, in the *Research Recommendation* the effective organisational and administrative arrangements set up within the *Authorised Firm* for the prevention and avoidance of conflicts

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of interest with respect to *Research Recommendations*, including information barriers.

- (3) If a *Person* working for the *Authorised Firm* who is involved in the preparation of a *Research Recommendation*, receives or purchases *Shares* of the *Relevant Issuer* prior to a public offering of those *Shares*, the price at which the *Shares* were acquired and the date of acquisition must also be disclosed in the *Research Recommendation*.
- (4) An *Authorised Firm*, must publish the following information on a quarterly basis, and must disclose it in its *Research Recommendation*:
 - (A) the proportion of all *Research Recommendations* published during the relevant quarter that are “buy”, “hold”, “sell” or equivalent terms; and
 - (B) the proportion of *Relevant Investments* in each of these categories, issued by *issuers* to which the *firm* supplied material investment banking services during the previous 12 months.
- (5) If the requirements under (1) to (4) would be disproportionate in relation to the length of the *Research Recommendation*, an *Authorised Firm* may, instead, make clear and prominent reference in the *Research Recommendation* to the place where such disclosure can be directly and easily accessed by the public.
- (6) In the case of non-written *Research Recommendations*, the requirements of (1) do not apply to the extent that they are disproportionate in relation to the length of the *Research Recommendation*.

Identity of Disseminators of Recommendations

A5.1.4 If an *Authorised Firm* disseminates a *Research Recommendation* produced by a third party, the *Research Recommendation* must identify the *Authorised Firm* clearly and prominently.

General Standard for Dissemination of Third Party Recommendations

- A5.1.5** (1) If a *Research Recommendation* produced by a third party is substantially altered before dissemination by an *Authorised Firm*:
- (A) the disseminated material must clearly describe that alteration in detail; and
 - (B) if the substantial alteration consists of a change of the direction of the recommendation (such as changing a “buy” recommendation into a “hold” or “sell” recommendation or vice versa), the requirements laid down Rule A5.1.3 on producers must be met by the *Authorised Firm*, to the extent of the substantial alteration.
- (2) An *Authorised Firm* which disseminates a substantially altered *Research Recommendation* must have a formal written policy so that the *Persons* receiving the information may be directed to where they can have access to the identity of the

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producer of the *Research Recommendation*, the *Research Recommendation* itself and the disclosure of the producer's interests or conflicts of interest, provided that these elements are publicly available.

- (3) If an *Authorised Firm* disseminates a summary of a *Research Recommendation* produced by a third party, it must:
 - (A) ensure that the summary is fair, clear and not misleading;
 - (B) identify the source *Research Recommendation*; and
 - (C) identify where (to the extent that they are publicly available) the third party's disclosures relating to the source *Research Recommendation* can be directly and easily accessed by the public.
- (4) Paragraphs (1) and (2) do not apply to news reporting on *Research Recommendations* produced by a third party where the substance of the *Research Recommendation* is not altered.