Checklist-E78-2012-08

**ADDITIONAL CHECKLIST FOR THE**

**INTERNAL PROCEDURES MANUAL**

**ΤHAT ACCOMPANIES**

**THE APPLICATION/EXTENSION OF**

**«……………………………………………………»**

**FOR THE GRANTING OF A**

**UCITS Management Company License**

**Including provision of Article 109(4) services**

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| **p****SECTION A** | **Law 144(I)/2007** - Investment Services and Activities and Regulated Markets Law of 2007. **Dir.144-2007-01** |  |  |
| **Part 1**  | **Marketing communication of investment research** |  |  |
| 1.1 | Arrangements designed to ensure that CIF produces or disseminates a recommendation that it is clearly identified as such. | DI26(1) |  |
| 1.2 | Arrangements designed to ensure that any such recommendation contains a clear and prominent statement that (or, in the case of an oral recommendation, to the effect that) it has not been prepared in accordance with legal requirements designed to promote the independence of investment research, and that it is not subject to any prohibition on dealing ahead of the dissemination of investment research | DI(26)(2) |  |
|  | **Additional organisational requirements where a CIF produces and disseminates investment research**  |  |  |
| 2.1 | In case where the CIF produces, or arrange for the production of, investment research that is intended or likely to be subsequently disseminated to clients of the CIF or to the public, under their own responsibility or that of a member of their group, arrangements designed to ensure the implementation of all the measures set out in paragraphs 6(4) – 6(5) in relation to the financial analysts involved in the production of the investment research and other relevant persons whose responsibilities or business interests may conflict with the interests of the persons to whom the investment research is disseminated | DI27(1) |  |
| 2.2 | Arrangements designed to ensure that the following conditions are satisfied: | DI27(2) |  |
| 2.2.1 | Financial analysts and other relevant persons do not undertake personal transactions or trade, other than as market makers acting in good faith and in the ordinary course of market making or in the execution of an unsolicited client order, on behalf of any other person, including the CIF, in financial instruments to which investment research relates, or in any related financial instruments, with knowledge of the likely timing or content of that investment research which is not publicly available or available to clients and cannot readily be inferred from information that is so available, until the recipients of the investment research have had a reasonable opportunity to act on it | DI27(2)(a) |  |
| 2.2.2 | In circumstances not covered by paragraph 24.2.1, financial analysts and any other relevant persons involved in the production of investment research must not undertake personal transactions in financial instruments to which the investment research relates, or in any related financial instruments, contrary to current recommendations, except in exceptional circumstances and with the prior approval of a member of the CIF’s legal or compliance function | DI27(2)(b) |  |
| 2.2.3 | The CIF itself, financial analysts, and other relevant persons involved in the production of the investment research must not accept inducements from those with a material interest in the subject-matter of the investment research | DI27(2)(c) |  |
| 2.2.4 | The CIF itself, financial analysts, and other relevant persons involved in the production of the investment research must not promise issuers favourable research coverage  | DI27(2)(d) |  |
| 2.2.5 | Issuers, relevant persons other than financial analysts, and any other persons must not before the dissemination of investment research be permitted to review a draft of the investment research for the purpose of verifying the accuracy of factual statements made in that research, or for any other purpose other than verifying compliance with the CIF’s legal obligations, if the draft includes a recommendation or a target price | DI27(2)(e) |  |
| 2.3 | A CIF which disseminate investment research produced by another person to the public or to clients is exempted from complying with paragraph 9.1 if the following criteria are met: | DI27(3) |  |
| 2.3.1 | The person that produces the investment research is not a member of the group to which the CIF belongs  | DI27(3)(a) |  |
| 2.3.2 | The CIF does not substantially alter the recommendations within the investment research  | DI27(3)(b) |  |
| 2.3.3 | The CIF does not present the investment research as having been produced by it  | DI27(3)(c) |  |
| 2.3.4 | The CIF verifies that the producer of the research is subject to requirements equivalent to the requirements under this Directive in relation to the production of that research, or has established a policy setting such requirements | DI27(3)(d) |  |
| **Part 2** | **Service providers of operational functions, investment services and activities located in third countries** |  |  |
| **g** |  |  |  |
| 3.1 | In addition to the requirements set out in paragraph 11 above, where a CIF outsources the investment service of portfolio management of retail clients, to a service provider located in a third country, the CIF ensures that the following conditions are satisfied | DI17(1) |  |
| 3.1.1 | The service provider must be authorised or registered in its home country to provide that service and must be subject to prudential supervision  | DI17(1)(a) |  |
| 3.1.2 | There must be an appropriate cooperation agreement between the Commission and the supervisory authority of the service provider | DI17(1)(b) |  |
| 3.2 | Note: If one or both of the conditions mentioned in paragraphs 12.1.1 and 12.1.2 are not satisfied, a CIF may outsource services to a service provider located in a third country only if it gives prior notification to the Commission about the outsourcing arrangement and the Commission does not object to that arrangement within a reasonable time following receipt of that notification | DI17(2) |  |
| **Part 3** | **Record of services and transactions** | **L18(2)(g)** |  |
|  | Arrangements designed to ensure that records of all services provided and transactions undertaken by CIF are kept, which shall be sufficient to enable the Commission to monitor CIF compliance with the requirements under CIF regulation and in particular its compliance with all its obligations with respect to clients or potential clients  |  |  |

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| **Part 4** | **Safeguarding of clients financial instruments and funds** |  |  |
| 4.1 | Arrangements designed to comply with the following requirements: |  |  |
| 4.1.1 | Keep such records and accounts as are necessary to enable CIF at any time and without delay to distinguish assets held for one client from assets held for any other client, and from its own assets | DI18(1)(a) |  |
| 4.1.2 | Maintenance of records and accounts in a way that ensures their accuracy, and in particular their correspondence to the financial instruments and funds held for clients  | DI18(1)(b) |  |
| 4.1.3 | Conduct, on a regular basis, reconciliations between its internal accounts and records and those of any third parties by whom those assets are held  | DI18(1)(c) |  |
| 4.1.4 | Take the necessary steps to ensure that any client financial instruments deposited with a third party, in accordance with paragraph 22, have been identifiable separated from the financial instruments belonging to the CIF and from financial instruments belonging to that third party, by means of differently titled accounts on the books of the third party or other equivalent measures that achieve the same level of protection | DI18(1)(d) |  |
| 4.1.5 | Take the necessary steps to ensure that client funds deposited, in accordance with paragraph 23 above, in a central bank, a credit institution or a bank authorised in a third country or a qualifying money market fund are held in an account or accounts identified separately from any accounts used to hold funds belonging to the CIF | DI18(1)(e) |  |
| 4.1.6 | Introduce adequate organisational arrangements to minimise the risk of the loss or diminution of client assets, or of rights in connection with those assets, as a result of misuse of the assets, fraud, poor administration, inadequate record-keeping or negligence | DI18(1)(f) |  |
| 4.2 | Note: If for reasons of the applicable law, including in particular the law relating to property or insolvency, the arrangements made by the CIF in compliance with paragraph 21.1 to safeguard clients’ rights are not sufficient to satisfy the requirements of section 18(2) (i) and (j) of the Law, the Commission may prescribe the measures that the CIF must take in order to comply with those obligations  | DI18(2) |  |
| 4.3 | Note: If the applicable law of the jurisdiction in which the client funds or financial instruments are held prevents the CIF from complying with paragraphs 21.1.4 or 21.1.5, the Commission may prescribe requirements which have an equivalent effect in terms of safeguarding clients’ rights | DI18(3) |  |
|  | **Depositing clients financial instruments** |  |  |
| 5.1 | The CIF deposits financial instruments held on behalf of its clients into an account or accounts opened with a third party provided that the CIF exercises all due skill, care and diligence in the selection, appointment and periodic review of the third party and of the arrangements for the holding and safekeeping of those financial instrumentsIn particular, the CIF takes into account the expertise and market reputation of the third party as well as any legal requirements or market practices related to the holding of those financial instruments that could adversely affect clients’ rights | DI19(1) |  |
| 5.2 | If the safekeeping of financial instruments for the account of another person is subject to specific regulation and supervision in a jurisdiction where the CIF proposes to deposit client financial instruments with a third party, the CIF does not deposit those financial instruments in that jurisdiction with a third party which is not subject to such regulation and supervision | DI19(2) |  |
| 5.3 | A CIF does not deposit financial instruments held on behalf of clients with a third party in a third country that does not regulate the holding and safekeeping of financial instruments for the account of another person unless one of the following conditions is met: | DI19(3) |  |
| 5.3.1 | The nature of the financial instruments or of the investment services connected with those instruments requires them to be deposited with a third party in that third country  | DI19(3)(a) |  |
| 5.3.2 | Where the financial instruments are held on behalf of a professional client, that client requests the CIF in writing to deposit them with a third party in that third country  | DI19(3)(b) |  |
|  | **Depositing client funds**  |  |  |
| 6.1 | The CIF on receiving any client funds, promptly places those funds into one or more accounts opened with any of the following corporations: | DI20(1) |  |
|  | Central bank | DI20(1)(a) |  |
|  | Credit institution authorised under the Directive 2000/12/EC | DI20(1)(b) |  |
|  | Bank authorised in a third country  | DI20(1)(c) |  |
|  | Qualifying money market fund | DI20(1)(d) |  |
| 6.2 | The CIF that does not deposit client funds with a central bank, it is required to exercise all due skill, care and diligence in the selection, appointment and periodic review of the credit institution, bank or money market fund where the funds are placed and the arrangements for the holding of those fundsThe CIF takes into account the expertise and market reputation of such institutions or money market funds with a view to ensuring the protection of clients’ rights, as well as any legal or regulatory requirements or market practices related to the holding of client funds that could adversely affect clients’ rights | DI20(2) |  |
| 6.3 | If the CIF deposits funds it holds on behalf of a client with a qualifying money market fund, the units in that money market fund should be held in accordance with the requirements for holding financial instruments belonging to clients | DI20(3) |  |
| 6.4 | The clients of the CIF have the right to oppose the placement of their funds in a qualifying money market fund  | DI20(4) |  |
|  | **Use of client financial instruments**  |  |  |
| 7.1 | The CIF is not allowed to enter into arrangements for securities financing transactions in respect of financial instruments held by it on behalf of a client, or otherwise use such financial instruments for its own account or the account of another client of the CIF, unless the following conditions are met: | DI21(1) |  |
| 7.1.1 | The client must have given his prior express consent to the use of the instruments on specified terms, as evidenced, in the case of a retail client, by his signature or equivalent alternative mechanism | DI21(1)(a) |  |
| 7.1.2 | The use of that client's financial instruments must be restricted to the specified terms to which the client consents | DI21(1)(b) |  |
| 7.2 | The CIF is not allowed to enter into arrangements for securities financing transactions in respect of financial instruments which are held on behalf of a client in an omnibus account maintained by a third party, or otherwise use financial instruments held in such an account for its own account or for the account of another client unless, in addition to the conditions set out in paragraph 30.1, at least one of the following conditions is met: | DI21(2) |  |
| 7.2.1 | Each client whose financial instruments are held together in an omnibus account must have given prior express consent in accordance with paragraph 30.1.1 | DI21(2)(a) |  |
| 7.2.2 | The CIF must have in place systems and controls which ensure that only financial instruments belonging to clients who have given prior express consent in accordance with paragraph 30.1.1 are so used  | DI21(2)(b) |  |
| 7.2.3 | The records of the CIF must include details of the client on whose instructions the use of the financial instruments has been effected, as well as the number of financial instruments used belonging to each client who has given his consent in accordance with paragraph 30.1, so as to enable the correct allocation of any loss | DI21(3) |  |
| **SECTION B** | **CONDUCT OF BYSINESS OBLIGATIONS** **Law 144(I)/2007** - Investment Services and Activities and Regulated Markets Law of 2007. **DI144-2007-02** | **L 36** |  |
|  | **A CIF must, when providing investment and ancillary services to clients, act honestly, fairly and professionally in accordance with the best interests of its clients and comply, in particular, with the following principles:** | L 36(1) |  |
| **Part 1** | **(a) All information, including marketing communications, addressed by a CIF to its clients or potential clients shall be fair, clear and not misleading; marketing communications must be clearly identifiable as such;**  | L 36(1)(a) |  |
| 8.1 | The IF shall ensure that all information, it addresses to, or disseminates in such a way that it is likely to be received by, retail clients or potential retail clients, including marketing communications, satisfies the conditions laid down in subparagraphs 2 to 8. | D 6.1 |  |
| 8.2 | The information referred to in subparagraph (1): | D 6.2 |  |
| 8.2.1 | * shall include the name of the IF;
 |  |  |
| 8.2.2 | * shall be accurate and in particular shall not emphasize

any potential benefits of an investment service or financialinstrument without also giving a fair and prominentindication of any relevant risks; |  |  |
| 8.2.3 | * shall be sufficient for, and presented in a way that is

likely to be understood by, the average member of thegroup to whom it is directed, or by whom it is likely to bereceived; |  |  |
| 8.2.4 | * shall not disguise, diminish or obscure important items, statements or warnings.
 |  |  |
| 8.3 | Where the information compares investment or ancillary services, financial instruments, or persons providing investment or ancillary services, the following conditions shall be satisfied | D 6.3 |  |
| 8.3.1 | * the comparison must be meaningful and presented in

a fair and balanced way |  |  |
| 8.3.2 | * the sources of the information used for the comparison

must be specified |  |  |
| 8.3.3 | * the key facts and assumptions used to make the

comparison must be included |  |  |
| 8.4 | Where the information contains an indication of past performance of a financial instrument, a financial index or an investment service, the following conditions shall be satisfied: | D 6.4 |  |
| 8.4.1 | * that indication must not be the most prominent feature

of the communication |  |  |
| 8.4.2 | * the information must include appropriate performance

information which covers the immediately preceding 5years, or the whole period for which the financialinstrument has been offered, the financial index has beenestablished, or the investment service has been providedif less than five years, or such longer period as the firmmay decide, and in every case that performanceinformation must be based on complete 12-monthperiods; |  |  |
| 8.4.3 | * the reference period and the source of information

must be clearly stated; |  |  |
| 8.4.4 | * the information must contain a prominent warning that

the figures refer to the past and that past performance isnot a reliable indicator of future results; |  |  |
| 8.4.5 | * where the indication relies on figures denominated in a

currency other than that of the Member State in which theretail client or potential retail client is resident, thecurrency must be clearly stated, together with a warningthat the return may increase or decrease as a result ofcurrency fluctuations |  |  |
| 8.4.6 | * where the indication is based on gross performance,

the effect of commissions, fees or other charges must be disclosed. |  |  |
| 8.5 | Where the information includes or refers to simulated pastperformance, it must relate to a financial instrument or a financial index, and the following conditions shall be satisfied: | D 6.5 |  |
| 8.5.1 | * the simulated past performance must be based on the

actual past performance of one or more financialinstruments or financial indices which are the same as, orunderlie, the financial instrument concerned; |  |  |
| 8.5.2 | * in respect of the actual past performance referred to in

point (a), the conditions set out in points (a) to (c), (e) and(f) of subparagraph 4 must be complied with |  |  |
| 8.5.3 | * the information must contain a prominent warning that

the figures refer to simulated past performance and thatpast performance is not a reliable indicator of futureperformance |  |  |
| 8.6 | Where the information contains information on future performance, the following conditions shall be satisfied | D 6.6 |  |
| 8.6.1 | * the information must not be based on or refer to

simulated past performance; |  |  |
| 8.6.2 | * the information must be based on reasonable

assumptions supported by objective data; |  |  |
| 8.6.3 | * where the information is based on gross performance,

the effect of commissions, fees or other charges must bedisclosed; |  |  |
| 8.6.4 | * the information must contain a prominent warning that

such forecasts are not a reliable indicator of futureperformance |  |  |
| 8.7 | Where the information refers to a particular tax treatment, it shallprominently state that the tax treatment depends on the individualcircumstances of each client and may be subject to change in the future. | D 6.7 |  |
| 8.8 | The information shall not use the name of any competent authority in such a way that would indicate or suggest endorsement or approval by that authority of the products or services of the IF | D 6.8 |  |
|  |  |  |  |
| **Part 2** | **A CIF must provide to its clients or potential clients appropriate information in a comprehensible form about: :** **(i) The CIF and its services;** **(ii) financial instruments and proposed investment strategies; this should include appropriate guidance on and warnings of the risks associated with investments in those instruments or in respect of particular investment strategies,** **(iii) execution venues,** **(iv) costs and associated charges,** **so that they are reasonably able to understand the nature and risks of the investment service and of the specific type of financial instrument that are being offered and, consequently, to take investment decisions on an informed basis. This information may be provided in a standardised format.**  | L 36(1)(b) |  |
|  | *Information concerning client categorization* |  |  |
| 9.1 | The IF shall notify new clients, and existing clients that it hasproceeded with their new categorization as required by the Law, as retail clients, professional clients or eligible counterparties in accordance with the Law. | D 7.1 |  |
| 9.2 | The IF shall inform clients, in a durable medium, about any right that client has to request a different categorization and about any limitations to the level of client protection that it would entail. | D 7.2 |  |
| 9.3 | The IF may, either on its own initiative or at the request of the client concerned | D 7.3 |  |
| 9.3.1 | (a) treat as a professional or retail client a client that mightotherwise be classified as an eligible counterparty pursuant tosection 41(1) of the Law; |  |  |
| 9.3.2 | (b) treat as a retail client a client that is considered as aprofessional client pursuant to Part A of Annex II of the Law. |  |  |
|  |  |  |  |
|  | General requirements for information to clients and the Commission | D 8 |  |
|  |  |  |  |
| 10.1 | The IF shall, in good time before a retail client or potential retailclient is bound by any agreement for the provision of investment or ancillary services or before the provision of those services, whichever is the earlier, provide that client or potential client with the following information: | D 8.1 |  |
| 10.1.1 | (a) the terms of any such agreement; |  |  |
| 10.1.2 | (b) the information required by paragraph 9 relating to thatagreement or to those investment or ancillary services. |  |  |
| 10.2 | The IF, shall, in good time, before the provision of investment orancillary services to retail clients or potential retail clients, provide the information required under paragraphs 9 to 12. | D 8.2 |  |
| 10.3 | The IF shall provide the professional clients with the informationreferred to in paragraph 11(5) and (6) in good time before the provision of the service concerned | D 8.3 |  |
| 10.4 | The information referred to in subparagraphs (1) to (3) shall beprovided in a durable medium or by means of a website (where that doesnot constitute a durable medium) provided that the conditions specified in paragraph 4(2) are satisfied. | D 8.4 |  |
| 10.5 | By way of exception to subparagraphs (1) and (2), the IF may, in the following circumstances, provide the information required under subparagraph (1) to a retail client immediately after that client is bound by any agreement for the provision of investment or ancillary services, and the information required under subparagraph 2 immediately after starting to provide the service if: | D 8.5 |  |
| 10.5.1 | 1. the IF was unable to comply with the time limits specified

in subparagraphs (1) and (2) because, at the request of theclient, the agreement was concluded using a means ofdistance communication which prevents the IF from providingthe information in accordance with subparagraphs (1) and (2); |  |  |
| 10.5.2 | (b) in any case where Article 4(c) of the Law concerning theDistance Marketing of Consumer Financial Services does nototherwise apply, the IF complies with the requirements of thatArticle in relation to the retail client or potential retail client, asif that client or potential client were a ‘consumer’ and the IFwere a ‘supplier’ within the meaning of that Law. |  |  |
| 10.6 | The IF shall notify clients in good time about any material change to the information provided under paragraphs 9 to 12 which is relevant to a service that the IF is providing to them. That notification shall be given in a durable medium if the information to which it relates is given in a durable medium. | D 8.6 |  |
| 10.7 | The information contained in a marketing communication shall beconsistent with any information the IF provides to its clients in the course of carrying on investment and ancillary services. | D 8.7 |  |
| 10.8 | Where a marketing communication of the IF contains an offer or invitation of the following nature and specifies the manner of response or includes a form by which any response may be made, it shall include such of the information referred to in paragraphs 9 to 12 as is relevant to that offer or invitation: | D 8.8 |  |
| 10.8.1 | (a) an offer to enter into an agreement in relation to afinancial instrument or investment or ancillary service withany person who responds to the communication; |  |  |
| 10.8.2 | (b) an invitation to any person who responds to thecommunication to make an offer to enter into an agreementin relation to a financial instrument or investment or ancillaryHowever, point (a) shall not apply if, in order to respond to an offer or invitation contained in the marketing communication, the potential retail client must refer to another document or documents, which, alone or in combination, contain that information. |  |  |
| 10.9 | The IF shall in good time notify the Commission about any marketing communication of the IF. | D 8.9 |  |
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|  | ***Information about the IF and its services for retail clients and******potential retail clients*** | L 36(1)(b)(i) |  |
| 11. | The IF shall provide retail clients or potential retail clients with thefollowing general information, where relevant: | D 9.1 |  |
| 11.1.1 | * the name and address of the IF, and the contact details

necessary to enable clients to communicate effectively withthe IF; |  |  |
| 11.1.2 | * the languages in which the client may communicate with

the IF, and receive documents and other information from theIF; |  |  |
| 11.1.3 | * the methods of communication to be used between the IF

and the client including, where relevant, those for the sendingand reception of orders; |  |  |
| 11.1.4 | * a statement of the fact that the IF is authorized and the

name and contact address of the competent authority that hasauthorized it; |  |  |
| 11.1.5 | * where the IF is acting through a tied agent, a statement of

this fact specifying the Member State in which that agent isregistered; |  |  |
| 11.1.6 | * the nature, frequency and timing of the reports on the

performance of the service to be provided by the IF to theclient in accordance with section 36(1)(g) of the Law; |  |  |
| 11.1.7 | * if the IF holds client financial instruments or funds, a

summary description of the steps which it takes to ensure theirprotection, including summary details of any relevant investorcompensation or deposit guarantee scheme which applies to the IF by virtue of its activities in the Republic or in otherMember State; |  |  |
| 11.1.8 | * a description, which may be provided in summary form, of

the conflicts of interest policy maintained by the IF inaccordance with paragraph 23 of the Directive for theAuthorisation and Operating Conditions of CIFs; |  |  |
| 11.1.9 | * at any time that the client requests it, further details of that

conflicts of interest policy in a durable medium or by means ofa website (where that does not constitute a durable medium)provided that the conditions specified in paragraph 4(2) aresatisfied. |  |  |
| 11.2 | The IF shall, when providing the investment service of portfoliomanagement, establish an appropriate method of evaluation andcomparison such as a meaningful benchmark, based on the investment objectives of the client and the types of financial instruments included in the client portfolio, so as to enable the client for whom the service is provided to assess the IF's performance. | D 9.2 |  |
| 11.3 | An IF shall, when it proposes to provide portfolio managementservices to a retail client or potential retail client, provide the client, in addition to the information required under subparagraph (1), with such of the following information as is applicable: | D 9.3 |  |
| 11.3.1 | * information on the method and frequency of valuation of

the financial instruments in the client portfolio; |  |  |
| 11.3.2 | * details of any delegation of the discretionary management

of all or part of the financial instruments or funds in the clientportfolio; |  |  |
| 11.3.3 | * a specification of any benchmark against which the

performance of the client portfolio will be compared; |  |  |
| 11.3.4 | * the types of financial instrument that may be included in

the client portfolio and types of transactions that may becarried out in such instruments, including any potentialrelevant limits; |  |  |
| 11.3.5 | * the management objectives, the level of risk to be reflected

in the manager's exercise of discretion, and any specific constraints on that discretion. |  |  |
|  |  |  |  |
|  | ***Information about financial instruments*** | L 36(1)(b)(ii) |  |
| 12.1 | The IF shall provide clients or potential clients with a general description of the nature and risks of financial instruments,taking into account, in particular, the client's categorization either as a retail or professional client. That description must explain the nature of the specific type of instrument concerned, as well as the risks particular to that specific type of instrument in sufficient detail to enable the client to take investment decisions on an informed basis. | D 10.1 |  |
| 12.2 | The description of risks shall include, where relevant to thespecific type of instrument concerned and the status and level ofknowledge of the client, the following elements: | D 10.2 |  |
| 12.2.1 | * the risks associated with that type of financial

instrument including an explanation of leverage and itseffects and the risk of losing the entire investment; |  |  |
| 12.2.2 | * the volatility of the price of the specific instrument

and any limitations on the available market for suchinstrument; |  |  |
| 12.2.3 | * the fact that an investor might assume, as a result of transactions in such instruments, financial commitments

and other additional obligations, including contingentliabilities, additional to the cost of acquiring theinstruments; |  |  |
| 12.2.4 | * any margin requirements or similar obligations,

applicable to instruments of that type. |  |  |
| 12.3 | If an IF provides a retail client or potential retail client withinformation about a financial instrument that is the subject of a current offer to the public and a prospectus has been published in connection with that offer in accordance with the Public Offer and Informative Bulletin Law, that IF shall inform the client or potential client where that prospectus is made available to the public. | D 10.3 |  |
| 12.4 | Where the risks associated with a financial instrument composed of two or more different financial instruments or services are likely to be greater than the risks associated with any of its components, the IF shall provide an adequate description of the components of that instrument and the way in which their interaction increases the risks. | D 10.4 |  |
| 12.5 | In the case of financial instruments that incorporate a guaranteeby a third party, the information about the guarantee shall includesufficient details about the guarantor and the guarantee to enable the retail client or potential retail client to make a fair assessment of the guarantee. | D 10.5 |  |
|  |  |  |  |
|  | ***Information requirements concerning safeguarding of retail client financial instruments or funds*** | L36(1)(b)(i) |  |
| 13.1 | Where an IF holds financial instruments or fundsbelonging to retail clients, it shall provide those retail clients orpotential retail clients with such of the information specified insubparagraphs (2) to (7) as is relevant. | D 11.1 |  |
| 13.2 | The IF shall inform the retail client or potential retail client wherethe financial instruments or funds of that client may be held by a third party on behalf of the IF and of the responsibility of the IF for any acts or omissions of the third party and the consequences for the client of the insolvency of the third party. | D 11.2 |  |
| 13.3 | Where funds or financial instruments of the retail client or potential retail client, are held in an omnibus account by a third party, the IF shall inform the client of this fact and shall provide a prominent warning of the resulting risks. | D 11.3 |  |
| 13.4 | The IF shall inform the retail client or potential retail client where it is not possible for client financial instruments held with a third party to be separately identifiable from the proprietary financial instruments of that third party or of the IF and shall provide a prominent warning of the resulting risks. | D 11.4 |  |
| 13.5 | The IF shall inform the client or potential client where accountsthat contain financial instruments or funds belonging to that client or potential client are or will be subject to the law of a jurisdiction other than that of a Member State and shall indicate that the rights of the client or potential client relating to those financial instruments or funds may differ accordingly. | D 11.5 |  |
| 13.6 | An IF shall inform the client about the existence and the terms of any security interest or lien which the IF has or may have over the client's financial instruments or funds, or any right of set-off it holds in relation to those instruments or funds. Where applicable, it shall also inform the client of the fact that a depository may have a security interest or lien over, or right of set-off in relation to those instruments or funds. | D 11.6 |  |
| 13.7 | An IF, before entering into securities financing transactions inrelation to financial instruments held by it on behalf of a retail client, or before otherwise using such financial instruments for its own account or the account of another client, shall in good time before the use of those instruments provide the retail client, in a durable medium, with clear, full and accurate information on the obligations and responsibilities of the investment firm with respect to the use of those financial instruments, including the terms for their restitution, and on the risks involved. | D 11.7 |  |
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|  | ***Information about costs and associated charges*** | L 36(1)(b)(iv) |  |
| 14.1 | The IF shall provide its retail clients and potential retail clientswith information on costs and associated charges that includes such of the following elements as are relevant: | D 12 |  |
| 14.1.1 | (a) the total price to be paid by the client in connection withthe financial instrument or the investment or ancillaryservice, including all related fees, commissions, chargesand expenses, and all taxes payable via the IF or, if anexact price cannot be indicated, the basis for thecalculation of the total price so that the client can verify it; |  |  |
| 14.1.2 | (b) where any part of the total price referred to in point (a)is to be paid in or represents an amount of foreigncurrency, an indication of the currency involved and theapplicable currency conversion rates and costs; |  |  |
| 14.1.3 | (c) notice of the possibility that other costs, includingtaxes, related to transactions in connection with thefinancial instrument or the investment service may arisefor the client that are not paid via the IF or imposed by it; |  |  |
| 14.1.4 | (d) the arrangements for payment or other performance. |  |  |
|  | For the purposes of point (a), the commissions charged bythe IF shall be itemized separately in every case. |  |  |
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| **Part 3** | **ASSESSMENT OF SUITABILITY AND APPROPRIATENESS** |  |  |
|  | **A CIF must, when providing investment advice or portfolio management, obtain the necessary information regarding the client's or potential client's knowledge and experience in the investment field relevant to the specific type of product or service, his financial situation and his investment objectives so as to be able to recommend the investment services and financial instruments that are suitable to its situation.****A CIF must, when providing investment services other than those referred to in paragraph (c), ask the client or potential client to provide information regarding his knowledge and experience in the investment field relevant to the specific type of product or service offered or demanded so as to enable the CIF to assess whether the investment service or product envisaged is appropriate for the client; where the CIF considers, on the basis of the information received under this paragraph, that the investment service or financial product is not appropriate for the client or potential client, the investment firm shall warn the client or potential client, this warning may be provided in a standardised format; where the client or potential client elects not to provide the information regarding his knowledge and experience, or where he provides insufficient information regarding his knowledge and experience, the CIF must warn the client or potential client that such a decision will not allow the CIF to determine whether the investment service or financial product envisaged is appropriate for him; this warning may be provided in a standardised format.** | L 36(1)(c)L 36(1)(d) |  |
|  | Assessment of suitability |  |  |
| 15.1 | IF obtains from clients or potential clients such informationas is necessary for the firm to understand the essential facts about the client and to have a reasonable basis for believing, giving due consideration to the nature and extent of the service provided, that the specific transaction to be entered into in the course of providing a portfolio management service or to be recommended in the course of providing investment advice service satisfies the following criteria: | D 14.1 |  |
| 15.1.1 | (a)it meets the investment objectives of the client inquestion; |  |  |
| 15.1.2 | (b)it is such that the client is able financially to bear anyrelated investment risks consistent with his investmentobjectives; |  |  |
| 15.1.3 | (c)it is such that the client has the necessary experienceand knowledge in order to understand the risks involved inthe transaction or in the management of his portfolio. |  |  |
| 15.2 | Where an IF provides an investment service to a professionalclient it shall be entitled to assume that, in relation to the products,transactions and services for which it is so classified, the client has the necessary level of experience and knowledge for the purposes of subparagraph 1(c).Where that investment service consists in the provision of investment advice to a professional client covered by Part \_ of Annex II of the Law, the IF shall be entitled to assume for the purposes of subparagraph 1(b) that the client is able financially to bear any related investment risks consistent with the investment objectives of that client. | D 14.2 |  |
| 15.3 | The information regarding the financial situation of the client orpotential client shall include, where relevant, information on thesource and extent of his regular income, his assets, including liquid assets, investments and real property, and information regarding his regular financial commitments. | D 14.3 |  |
| 15.4 | The information regarding the investment objectives of the client or potential client shall include, where relevant, information on the length of time for which the client wishes to hold the investment, his preferences regarding risk taking, his risk profile, and the purposes of the investment. | D 14.4 |  |
| 15.5 | Where, when providing the investment service of investmentadvice or portfolio management, an IF does not obtain the information required under Section 36(1)(c) of the Law, then the IF shall not recommend investment services or financial instruments to the client or potential client | D 14.5 |  |
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|  | *Assessment of appropriateness* |  |  |
| 16.1 | IF, when assessing whether an investment service other thanthe service of portfolio management or the service of investmentadvice, as referred to in Section 36(1) (d) of the Law is appropriate for a client, determines whether that client has the necessary experience and knowledge in order to understand the risks involved in relation to the product or investment service offered or demanded.For those purposes, an IF shall be entitled to assume that aprofessional client has the necessary experience and knowledge in order to understand the risks involved in relation to those particular investment services or transactions, or types of transaction or product, for which the client is classified as a professional client. | D 15 |  |
|  | Provisions common to the assessment of suitability orAppropriateness |  |  |
| 17.1 | IF shall ensure that the information regarding a client's orpotential client's knowledge and experience in the investment fieldincludes the following, to the extent appropriate to the nature of the client, the nature and extent of the service to be provided and the anticipated type of product or transaction, including their complexity and the risks involved: | D 16.1 |  |
| 17.1.1 | (a)the types of service, transaction and financialinstrument with which the client is familiar; |  |  |
| 17.1.2 | (b)the nature, volume, and frequency of the client'stransactions in financial instruments and the period overwhich they have been carried out; |  |  |
| 17.1.3 | (c) the level of education, and profession or relevant former profession of the client or potential client. |  |  |
| 17.2 | An IF shall not encourage a client or potential client not to provideinformation required for the purposes of Section 36(1) (c) and (d) of the Law. | D 16.2 |  |
| 17.3 | An IF shall be entitled to rely on the information provided by itsclients or potential clients unless it is aware or ought to be aware that the information is manifestly out of date, inaccurate or incomplete. | D 16.3 |  |
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| **Part 4** | **REPORTING TO CLIENT** |  |  |
|  | **a CIF must establish a record that includes the document or****Law 144(I)/2007 documents agreed between the firm and the client that set out the rights and obligations of the parties, and the other terms on which the CIF will provide services to the client; the rights and duties of the parties to the contract may be incorporated by reference to other documents or legal texts;** | L 36(1)(f) |  |
|  | *Reporting obligations in respect of portfolio management* |  |  |
| 18.1 | IF which provides the service of portfolio management toclients to provide each such client with a periodic statement in adurable medium of the portfolio management activities carried out on behalf of that client unless such a statement is provided by another person. | D 20.1 |  |
| 18.2 | In the case of retail clients, the periodic statement requiredunder subparagraph 1 shall include, where relevant, the followinginformation | D 20.2 |  |
| 18.2.1 | (a)the name of the IF; |  |  |
| 18.2.2 | (b) the full name, in case of a physical person or the tradename in case of a legal person or other designation of theretail client's account; |  |  |
| 18.2.3 | (c) a statement of the contents and the valuation of theportfolio, including details of each financial instrumentheld, its market value, or fair value if market value isunavailable and the cash balance at the beginning and atthe end of the reporting period, and the performance ofthe portfolio during the reporting period; |  |  |
| 18.2.4 | (d)the total amount of fees and charges incurred duringthe reporting period, itemizing at least total managementfees and total costs associated with execution, andincluding, where relevant, a statement that a more detailed breakdown will be provided on request; |  |  |
| 18.2.5 | (e)a comparison of performance during the period coveredby the statement with the investment performancebenchmark if so agreed between the IF and the client; |  |  |
| 18.2.6 | (f)the total amount of dividends, interest and otherpayments received during the reporting period in relationto the client's portfolio; |  |  |
| 18.2.7 | (g)information about other corporate actions giving rightsin relation to financial instruments held in the portfolio; |  |  |
| 18.2.8 | (h)for each transaction executed during the period, theinformation referred to in paragraph 19 (4)( c) to 19 (4) (l)where relevant, unless the client elects to receiveinformation about executed transactions on a transaction by-transaction basis, in which case subparagraph 4 of this paragraph shall apply. |  |  |
| 18.3 | (3) In the case of retail clients, the periodic statement referred toin subparagraph 1 shall be provided once every six months, except in the following cases: | D 20.3 |  |
| 18.3.1 | (a) where the client so requests, the periodic statementmust be provided every three months; |  |  |
| 18.3.2 | (b) in cases where subparagraph 4 applies, the periodicstatement must be provided at least once every 12 months; |  |  |
| 18.3.3 | (c) where the agreement between an IF and a retail client for a portfolio management service authorizes a leveraged portfolio, the periodic statement must be provided at least once a month.IF shall inform retail clients that they have the right to make requests for the purposes of point (a).However, the exception provided for in point (b) shall not apply in the case of transactions in financial instruments covered by paragraph (c) of the definition of ‘transferable securities’ of Section 2(1) of the Law or within paragraphs 4 to 10 of Part III of Annex III of the Law. |  |  |
| 18.4.1 | IF, in cases where the client elects to receive information about executed transactions on a transaction by- transaction basis, provides promptly to the client, on the execution of a transaction by the portfolio manager, the essential information concerning that transaction in a durable medium. | D 20.4.1 |  |
| 18.4.2 | Where the client concerned is a retail client, the IFmust send him a notice confirming the transaction andcontaining the information referred to in paragraph 19 (4)no later than the first business day following that executionor, if the confirmation is received by the IF from a thirdparty, no later than the first business day following receiptof the confirmation from the third party.The point above shall not apply where the confirmation wouldcontain the same information as a confirmation that is to be promptly dispatched to the retail client by another person. | D 20.4.2 |  |
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|  | **A CIF must provide its clients with adequate reports on the services provided to them; these reports shall include, where applicable, the costs associated with the transactions and services undertaken on behalf of the clients.** | L 36(1)(g) |  |
|  | *Additional reporting obligations for portfolio management or**Contingent liability transactions* |  |  |
| 19.1 | IF which provides portfolio management transactions for retailclients or operate retail client accounts that include an uncoveredopen position in a contingent liability transaction, they also report to the retail client any losses exceeding any predetermined threshold, agreed between the firm and the client, no later than the end of the business day in which the threshold is exceeded or, in a case where the threshold is exceeded on a non-business day, the close of the next business day. | D 21 |  |
|  | *Statements of client financial instruments or client funds* |  |  |
| 20.1 | IF that holds client financial instruments or client fundssends at least once a year, to each client for whom it holds financial instruments or funds, a statement in a durable medium of those financial instruments or funds unless such a statement has been provided in any other periodic statement | D 22.1 |  |
| 20.2 | The statement of client assets referred to in subparagraph 1 shallinclude the following information: | D 22.2 |  |
| 20.2.1 | (a)details of all the financial instruments or funds held bythe IF for the client at the end of the period covered by thestatement; |  |  |
| 20.2.2 | (b)the extent to which any client financial instruments orclient funds have been the subject of securities financingtransactions; |  |  |
| 20.2.3 | (c)the extent of any benefit that has accrued to the clientby virtue of participation in any securities financing transactions, and the basis on which that benefit has accrued. |  |  |
|  | In cases where the portfolio of a client includes the proceeds of one or more unsettled transactions, the information referred to in point (a) may be based either on the trade date or the settlement date, provided that the same basis is applied consistently to all such information in the statement. |  |  |
| 20.3 | IF which holds financial instruments or funds and which carries out the service of portfolio management for a client may include the statement of client assets referred to in subparagraph 1 in theperiodic statement it provides to that client pursuant to paragraph20(1). | D 22.3 |  |
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| **Part 5** | **Duty of Ifs carrying out Portfolio management to act in the best interests of the client** | L36(1) |  |
| 21.1 | IF, when providing the service of portfolio management,complies with the obligation under Section 36(1) of the Law to act in accordance with the best interests of their clients when placingorders with other entities for execution that result from decisions by the IF to deal in financial instruments on behalf of its client. | D 24.1 |  |
| 21.2 | IF takes all reasonable steps to obtain the best possible result for their clients taking into account the factors referred to in Section 38(1) of the Law. The relative importance of these factors shall be determined by reference to the criteria set out in paragraph 23(1) and, for retail clients, to the requirement under paragraph 23(3).An IF satisfies its obligations under subparagraph 1 or 2, and isnot required to take the steps mentioned in this paragraph, to the extent that it follows specific instructions from its client when placing an order with, or transmitting an order to, another entity for execution | D24.4 |  |
| 21.3 | IF establishes and implements a policy to enable the IF tocomply with the obligation in subparagraph 4. The policy shallidentify, in respect of each class of instruments, the entities withwhich the orders are placed or to which the IF transmits orders forexecution. The entities identified must have execution arrangements that enable the IF to comply with its obligations under this paragraph when it places or transmits orders to that entity for executionIF provides appropriate information to their clients on the policyestablished in accordance with this paragraph | D 24.5 |  |
| 21.4 | IF monitors on a regular basis the effectiveness of the policyestablished in accordance with subparagraph 5 and, in particular, the execution quality of the entities identified in that policy and, where appropriate, corrects any deficiencies.In addition, IF reviews the policy annually. Such a review shall also be carried out whenever a material change occurs that affects the ability of IF to continue to obtain the best possible result for their clients. | D 24.6 |  |
| **Part 6** | **Execution of client orders** | L36(1) |  |
|  | *General principles* |  |  |
| 25.1 | IF satisfies the following conditions when carrying outclient orders: | D 26.1 |  |
| 25.1.1 | (a)ensures that orders executed on behalf of clients arepromptly and accurately recorded and allocated; |  |  |
| 25.1.2 | (b)carries out otherwise comparable client orderssequentially and promptly unless the characteristics of theorder or prevailing market conditions make thisimpracticable, or the interests of the client requireotherwise; |  |  |
| 25.1.3 | (c)informs a retail client about any material difficultyrelevant to the proper carrying out of orders promptly uponbecoming aware of the difficulty. |  |  |
| 25.2 | (2) Where an IF is responsible for overseeing or arranging thesettlement of an executed order, it shall take all reasonable steps toensure that any client financial instruments or client funds received in settlement of that executed order are promptly and correctly delivered to the account of the appropriate client. | D 26.2 |  |
| 25.3 | (3)An IF does not misuse information relating to pending client orders, and takes all reasonable steps to prevent the misuse of suchinformation by any of its relevant persons. | D 26.3 |  |
|  | *Aggregation and allocation of orders* |  |  |
| 26.1 | IF is not permitted to carry out a client order or a transaction for own account in aggregation with another client orderunless the following conditions are met: | D 27.1 |  |
| 26.1.1 | (a)it must be unlikely that the aggregation of orders andtransactions will work overall to the disadvantage of anyclient whose order is to be aggregated; |  |  |
| 26.1.2 | (b)it is disclosed to each client whose order is to beaggregated that the effect of aggregation may work to itsdisadvantage in relation to a particular order; |  |  |
| 26.1.3 | (c)an order allocation policy is established and effectivelyimplemented, providing in sufficiently precise terms for the fair allocation of aggregated orders and transactions, including how the volume and price of orders determines allocations and the treatment of partial executions. |  |  |
| 26.2 | Where an IF aggregates an order with one or more other client orders and the aggregated order is partially executed, it allocates the related trades in accordance with its order allocation policy. | D 27.2 |  |