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Regarding the provisions quoted in the response below, as far as possible, hyperlinks to these provisions (in the respective language or, if available, in English) are set out in Document CESR/04-075 for each country.*

#### ***IMPORTANT NOTICE***

*In the interest of transparency and to inform interested parties, CESR has published the following (together the “Tables”):*

- *the Correspondence Tables on the CESR Standards for Investor Protection (Ref. CESR/03-416b to 423b, CESR/03-134/Country);*
- *the Correspondence Tables on the CESR Standards for Alternative Trading Systems (Ref. CESR/03-415b, CESR/03-135/Country);*
- *the Synthesis Tables (Ref. CESR/03-427b and CESR/03-432b);*
- *the List of Alternative Trading Systems currently operating in Member States<sup>1</sup> (Ref. CESR/03-497b);*
- *the explanatory notes and caveats attached to the Tables.*

*The Tables were produced by the Members of CESR<sup>1</sup> within the constraints of and solely for the purposes of the CESR Review Panel process of monitoring the status of implementation of the CESR Standards for Investor Protection<sup>2</sup> and the CESR Standards for Alternative Trading Systems<sup>3</sup> in Member States.*

*The Tables have no legal effect; they do not present any interpretation of, or definitive position on, existing law or regulation in any jurisdiction. The Tables should not be relied upon for any purpose other than the purpose for which they were prepared. In particular, they should not be relied upon as a substitute for, or as guidance on, any aspect of the regulatory system of any Member State or as a defence in supervisory activities or enforcement proceedings; and they cannot be used to restrict competent authorities in taking regulatory or enforcement actions.*

*The information set out in the Tables is the response of each Member’s self-assessment. For this reason, the content of the Tables regarding a particular Member State has been prepared solely by the relevant Member on a best-efforts basis. (In a next step, the CESR Review Panel is going to conduct a common and collective peer exercise in reviewing the responses from all Members.) In case of discrepancy between the tables containing the responses from all CESR Members and the tables containing the individual responses from a particular CESR Member, the latter should be referred to.*

*The Tables provide a “snap shot” and will be up-dated on a regular basis to take account of regulatory developments in Member States. Therefore, they cannot be considered as fully finalised or definitive reflections of regulatory provisions in Member States. The Tables should also be read in light of current and future developments in the formulation of the proposed Directive on Markets in Financial Instruments (“ISD2”) and the future Level 2 implementing measures, and without prejudice to the position of any Member State in those developments.*

*For a more detailed account of the process, methodology and first, interim results, please see the “First Interim Report” by the Review Panel (Ref. CESR/03-414b).*

<sup>1</sup> For reasons of simplicity, the term “Member” in this context refers to all participants in the Review Panel, i.e. CESR Members, CESR Observers, and the Polish securities regulators; this applies to the term “Member State” accordingly.

<sup>2</sup> “A European Regime of Investor Protection - The Harmonization of Conduct of Business Rules” (Ref. CESR/01-014d, April 2002) and “A European Regime of Investor Protection – The Professional and the Counterparty Regimes” (Ref. CESR/02-098b, July 2002).

<sup>3</sup> Ref. CESR/02-086b, July 2002.

**CORRESPONDENCE TABLE ON STANDARDS FOR INVESTOR PROTECTION**  
**(REF. CESR/02-098B)**  
**PART I – PROFESSIONAL REGIME**

**B. CONDUCT OF BUSINESS RULES FOR THE “PROFESSIONAL REGIME”****1. STANDARDS OF GENERAL APPLICATION****1.1 GENERAL**

Standard 1	<i>An investment firm must at all times act honestly, fairly and professionally in accordance with the best interests of its customers and the integrity of the market.</i>		
Country	Implementing Authority(ies)	Implementing Measure <sup>4</sup>	Comments
AUSTRIA <sup>5</sup>			
BELGIUM	Parliament and Royal Decrees proposed by the Minister of Finance	Art. 36, § 1, 1°, 2° and 3° L. 6 April 1995	Art. 26, 1°, L. 2 August 2002 (to come into force later) Note that when entering into force the provisions of Art. 26, 27 and 28 of the L. of 2 August 2002 will replace Art. 36 of the Law of 6 April 1995 According to Art. 28, § 1, 1°, of the L. of 2 August 2002 the King may determine different rules for the application of the provisions of Article 26, according as the investment services are provided to professional investors or to other investors.
DENMARK	The Ministry of Economic and Business Affairs	Executive order on Conduct of Business, section 3 and section 19 (The above mentioned rules require investment firms to act honestly, fairly and professionally in accordance with the best interests of its customers and the integrity of the market.)	
FINLAND	Parliament Rahoitustarkastus	Chapter 4, Section 1 and Chapter 4, Section 4, paragraphs 1, 3 and 4 of the Securities Markets Act Chapter 51, Sections 3 and 4 of the Penal Code. Rahoitustarkastus Guideline on Practices to be applied in the Provisions of Investment Services (201.7).	The Securities Markets Act defines a professional and a non-professional investor. There is no definition of a counterparty regime. The Securities Markets Act sets general rules for both the retail and professional regime. The issuance of more detailed provisions is delegated to the Financial Supervision Authority by the Securities Markets Act. According to the Chapter 4, Section 4, Paragraph 5 the Financial Supervision Authority may, in order to fulfil the requirements set in the Council Directive on investment

<sup>4</sup> Any derogation to the application of the implementing measures should be mentioned.

<sup>5</sup> AS THE FIELD OF CATEGORISATION IS WITHIN THE SCOPE OF THE REVISED ISD ALL IMPLEMENTATION MEASURES NEED TO BE TAKEN UNDER THE CATEGORISATION PAPER WILL BE IMPLEMENTED IN LINE WITH THE REVISED ISD. THEREFORE THE FOLLOWING QUESTIONS CANNOT BE ANSWERED FINALLY AT THIS STAGE.

			services in the securities markets, issue to the investment firms further provisions on the proper procedures to be complied with under the said chapter (Securities trade and provision of investment services) in providing each investment service. The provisions shall take into consideration whether the client is a professional investor. In practise the delegation provision refers to the Article 11 of the ISD.
FRANCE	AMF/Parliament		As a general warning it has to be said that there is not a specific code of conduct for professional. However provision on information and duty to care are applicable due to the professional nature of the client. Moreover, professional clients are eligible to specific funds and product whose sell does not require a prospectus.
GERMANY	BaFin	Professional regime will be implemented once revised ISD is issued	Currently: Basically rules of conduct are applicable to professional customers, but the professional nature of the customer can be taken into account See Section 31 par. 2 WpHG (“if so requested”)
GREECE		Section 3.2. of the Code of Conduct.	
ICELAND	Parliament		This following comment applies to the whole chapter on the “Professional Regime”: Under Icelandic law the same measures apply to professional customers as retail customers. The ministry of commerce is responsible for preparing bills of law proposing changes to securities regulation. In mid year 2004 the FME will present to the ministry of commerce a list of recommended changes to law it considers necessary to implement the CESR standards on investor protection. The implementation process will after that not be in the hands of the FME and therefore no estimated time of implementation can be given.
IRELAND	IFSRA	<u>COC, Section 1</u> As at 1, Part A above.	
ITALY	CONSOB	Article 21, paragraph n. 1, a) of Legislative decree n. 58/1998 <i>(General criteria)</i>  Article 26, paragraph n. 1, b) of Consob Regulation 11522 <i>(General rules of conduct)</i>	
LUXEMBOURG	CSSF	According to article 37 § 1 of the law of 5 April 1993 on the financial sector and according to principle 1 of the circular CSSF 2000/15, the professional shall act honestly and fairly in conducting his business activities in the best interests of his clients and the integrity of the market. Furthermore, stock exchange members shall act honestly and fairly in the best interests of its client and the integrity of the market (chapter XI	

		on rules of conduct of the governing measures of the LSE)	
NETHERLANDS <sup>6</sup>	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	no legislative authority for AFM
NORWAY	Parliament	STA, section 9-2 para 1.	
PORTUGAL		SC art. 304/1 and 2 and article 305/1	
SPAIN	Ministry of Economy / CNMV	Law 24/1988, Securities Markets Act. Title VII “Conduct of Business Rules”. Article 79 a) and c).	
SWEDEN	Finansinspektionen	The Securities Business Act (1991:981), Chap 1 Section 7 See A 1	Specific rules concerning the professional regime have not been implemented. A certain flexibility is present in the regulation on information from/to customers. It is allowed for the investment firm to adapt this information according to the nature of the customer. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards f
UNITED KINGDOM	FSA	FSA Handbook: Principle 1 (Integrity) provides that a firm must conduct its business with integrity. Principle 2 (Skill, care and diligence) provides that a firm must conduct its business with due skill, care and diligence. Principle 5 (Market Conduct) provides that a firm must observe proper standards of market conduct. Principle 6 (Customers' interests) provides that a firm must pay due regard to the interests of its customers and treat them fairly.	Principle 6 requires “due regard” to client’s interests rather than action “in accordance with client’s best interests”. We believe that this accords with customers' best interests.
CYPRUS	House of Representatives  Cyprus Securities and Exchange Commission and the Central Bank of Cyprus	Section 40(1)(b) of the Investment Firms Laws of 2002-2003  Sections 6 and 7 of the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003	
CZECH REPUBLIC			There is no special regime for “professional clients” of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for “institutional investors” defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers. The investment firm is exempt from the duty to inform the client about the internal procedures for complaint settlement, to inform

<sup>6</sup> GENERAL REMARK

The Wte95 and the Bte do not yet make a distinction between professional and retail parties. Therefore, although the NR2002 does state which rules of conduct are also binding for professional parties, all standards for the professional regime can be considered as “not implemented”. Negotiations with the Ministry of Finance are under way.

			client about the possibility to aggregate orders, to inform client about fees, to create a written business conditions for each type of service and to inform client about them. The investment firm is also exempt from the duty to inform client about the current prices of investment instruments, about possible risks connected with the investment, to inform client that past revenues do not guarantee the future ones, to inform client about possible obligations caused by the transaction and to inform the client about the guarantee scheme (“Garancni fond obchodnku s cennymi papiry – Sect 81a and subs. of the Securities Act)
ESTONIA	The EFSA, the operator of stock exchange	SMA § 85 p 1 – 2. Guideline.	
HUNGARY	Parliament	Subsection 7 Section 115 of CMA	<p>All other rules, regulations and comments - which were presented at the presentation of the retail regime - should be applied for the <b>“professional regime”</b>.</p> <p>Investment service providers and commodities brokers shall inform their clients, prior to entering into a contract concerning the services they provide as licensed, on the current prices of investment instruments and/or exchange-traded instruments, on previous changes in such prices, on the marketability of the instruments, on public information, on the risks involved, on the investor protection scheme if any, and shall supply all other information that may be of consequence regarding the conclusion and settlement of the contract. Investment service providers and commodities brokers shall include a clause in their contracts verifying receipt of said notifications and information.</p> <p>Investment service providers and commodities brokers, prior to entering into a contract involving derivative instruments, must investigate whether the offered investment instruments, exchange-traded instruments, transaction type, investment construction is feasible in terms of the client's knowledge of the market and his financial situation with regard to such exposure.</p> <p>When accepting an instruction for futures or option transactions, the investment service provider and the commodities broker shall issue a risk assessment statement and shall have it signed by the client in acknowledgement, or obtain some other form of verification from the client.</p> <p>(Subsection 1, 3-4 of Section 115 of CMA)</p> <p>The above provisions <u>do not bind the investment service providers and commodities brokers if their client is a professional investor.</u></p>
LATVIA <sup>7</sup>			
LITHUANIA		When fulfilling the requirements specified under paragraph 3 of this Article, an intermediary must consider whether the client is a professional investor or not (which applies to cases when	There are no peculiarities, established in a legal environment for the “professional regime”, except the only obligation for the intermediary to take into consideration if the client is a professional

<sup>7</sup> The Law on Securities currently in force and the Regulation issued by the Financial and Capital Market Commission do not differentiate between the rules applicable to professional and retail investors.

		investors place orders via another intermediary). Art. 24.4 of the LSM).	investor or not as indicated in the Art. 24.4 of the LSM).
MALTA	MFSA	SLC 3.02 of Part C1 of the ISG, a Licence Holder (Investment Firm) is required to act honestly, fairly and with integrity - in the best interests of its customers and of the market. This SLC, also specifies what is expected of Licence Holders in this regard – including <i>inter alia</i> , avoidance of misrepresentations to customers; avoidance of conflicts of interests; avoidance of unreasonable charges; avoidance of churning of customers' portfolios; conducting transactions on arm's length basis.	
POLAND	Parliament for law Council of Ministers for decree	There is a draft of a new Polish Law on Public Trading of Securities prepared which includes a delegation for issuing by Council of Ministers the decree concerning conduct of business rules. The decree is going to expressly establish such obligations. There are no drafts of this decree yet.	Polish Securities and Exchange Commission is responsible for drafting and the Council of Ministers for approving  30 September 2003 draft approved by the Council of Ministers whilst its entry into force envisaged for 1 May 2004.
SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 73	An investment firm is obliged to conduct its activities so as to avoid disruptions of safety of the financial market and may not engage in any activities directed towards manipulating the prices of securities.
SLOVENIA	SMA	Please see under point 1 of the Retail Regime.	Generally the same provisions for professional investors as for retail investors apply.

<b>Standard 2</b>	<b><i>An investment firm must have and must employ effectively the resources and procedures that are necessary for the proper performance of its business activities, including back-up procedures and systems so as to reasonably ensure that investment services can be provided without interruption.</i></b>		
<b>Country</b>	<b>Implementing Authority(ies)</b>	<b>Implementing Measure<sup>8</sup></b>	<b>Comments</b>
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees proposed by the Minister of Finance CBFA circulars	Art. 36, § 1, 7°, L. 6 April 1995 Art. 62, L. 6 April 1995 Art. 20, L. 22 March 1993	Ongoing policy work within CBFA on sound practices for business continuity (draft circular to financial institutions) Work on business continuity planned in the framework of the Financial Stability Committee
DENMARK	Parliament	Financial Business Act, section 71, par. 1, no 5) (The above mentioned rules require investment firms to possess and employ effectively such resources and routines necessary for the activity to be carried on in a proper manner.)	Derogation: The last part of the sentence (“including back-up..”) is not explicitly stated
FINLAND	Parliament Ministry of Finance Rahoitustarkastus	Section 10, Paragraph 1, Section 12 and Section 29, Paragraph 1 of the Act on Investment Firms Section 10 of the Decree of the Ministry of Finance on the Contents of the Application for Authorisation of an Investment Firm Rahoitustarkastus Standard on Risk Management and other Aspects of Internal Control in Investment Funds (4.1).	
FRANCE	Parliament and banking	Article 533-4 of the MFC and CRBF <sup>9</sup> Regulation 97-02 (banking	

<sup>8</sup> Any derogation to the application of the implementing measures should be mentioned.

	authorities	regulation).	
GERMANY		See 1	See 1
GREECE		Section 3.2. (b) of the Code of Conduct.	
ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	<u>GS&amp;RR, Section 2</u> As at 2, Part A above.	
ITALY	CONSOB	<p>Article 21, paragraph n. 1, d) of Legislative decree n. 58/1998 (General criteria) ○○○</p> <p>Article 56, paragraph n. 2, a) and b) of Consob Regulation 11522 (<i>Internal procedures</i>) ○○○</p> <p>COMUNICAZIONE DI/30396 OF 21 APRIL 2000 Subject: Online trading and rules of conduct</p> <p>(...) - SYSTEM EFFICIENCY: intermediaries that provide online trading services must equip themselves with IT systems that will enable them, taking into account the volume of business they may be required to handle, to carry out orders given by investors promptly, as laid down in Article 26.1d) of Consob Regulation 11522/1998. Since Article 21.1d) of Legislative Decree 58/1998 requires intermediaries "<i>to have resources and procedures ... capable of ensuring the efficient provision of services</i>", it may be advisable for them to conclude agreements with Internet providers and other companies involved in the process so as to ensure the operational efficiency of the service supplied. In order to cope with outages, temporary or otherwise, the Commission recommends that intermediaries should put efficient alternative procedures in place so that investors can continue to trade. Article 30.2c) of Consob Regulation 11522/1998 requires intermediaries to specify these alternative procedures and the manner of using them in their contracts with customers. Moreover, every precaution must be taken to ensure that the automated systems in use guarantee the maximum confidentiality of data transmitted over the Internet. (...).</p>	
LUXEMBOURG	CSSF	According to article 37 § 1 of the law of 5 April 1993 on the financial sector and according to principle 3 of the circular CSSF 2000/15, the professional shall have and employ effectively the resources and the procedures that are necessary for the proper performance of his business activities.	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	

<sup>9</sup> Banking and financial regulation committee.

NORWAY	Parliament	STA, section 9-2 para 1 nr.1,2 and 3	
PORTUGAL		SC art. 305/1 CMVM Reg. 12/2000 art. 7/1 CMVM Reg. 21/2000 art 10	
SPAIN	Ministry of Economy / CNMV	Law 24/1988, Securities Markets Act. Title VII "Conduct of Business Rules". Article 79 d).  Royal Decree 629/1993, of 3 May, Governing Rules of Action in the Securities Markets and Obligatory Record-Keeping. Annex "General Code of Conduct for the Securities Markets". Article 3 "Resources and Capacities"	
SWEDEN	Finansinspektionen	The Securities Business Act (1991:981), Chap 1 Section 7 See A 2	Specific rules concerning the professional regime have not been implemented. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.
UNITED KINGDOM	FSA	Para 4 of schedule 6 to FSMA (Adequate resources) provides that one of the threshold conditions for authorisation of a firm is that the resources of the firm must, in the opinion of the FSA, be adequate in relation to the investment services that the firm seeks to perform. Principle 4 (Financial prudence) provides that a firm must have adequate financial resources. COND 2.4.1 (1) requires, as a threshold condition for authorisation, that a firm must have adequate resources in relation to the regulated activities it seeks to carry on or carries on. These include having effective means to manage risks. SYSC 3.1.1R (Systems and Controls) provides that firms must take reasonable care to establish and maintain appropriate systems and controls given the nature, scale and complexity of its business. SYSC 3.2 (Areas covered by systems and controls) incl. business continuity (at SYSC 3.2.19G). SYSC 3.2.19G indicates that firms should have arrangements to function and to meet regulatory obligations in event of unforeseen interruption and update these regularly and test their effectiveness.	
CYPRUS	House of Representatives  Cyprus Securities and Exchange Commission  Cyprus Securities and Exchange Commission and the Central Bank of Cyprus	Section 40(1)(c) of the Investment Firms Laws of 2002-2003  Paragraph 8.3 of Annex 1 of the Conditions for granting an authorisation to Cypriot Investment Firms, Directive 1/2002  Section 7 and Annex 3 of the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003	

CZECH REPUBLIC			There is no special regime for “professional clients” of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for “institutional investors” defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.
ESTONIA	The EFSA.	Guideline.	
HUNGARY		See comments for paragraph 1.	
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA		SLC 3.07(l) of Part C1 of the ISG requires an Investment Firm to organise and control its affairs in a responsible manner and shall have adequate operational, administrative and financial procedures and controls in respect of its own business and its customers' affairs to ensure compliance with regulatory requirements and to enable it to be effectively prepared to manage, reduce and mitigate the risks to which it is exposed, including, <i>inter alia</i> , making provision for the protection of customers in the event of the interruption or cessation of the whole or part of the Investment Firm’s business due to internal or external environmental factors, including technical or human failure. For this purpose, the Licence Holder shall have an appropriate Disaster Recovery and Business Continuity Plan which is regularly tested and updated	
POLAND	Parliament for the law Council of Ministers for the decree	According to the Decree of the Council of Ministers dated April 15 <sup>th</sup> 2002 on Determining the Technical and Organizational Conditions Required of Certain Entities to Conduct Brokerage Activity and of Banks to Keep Securities Accounts, the IT systems processing data of the brokerage house shall be separated or secured in such a manner as to prevent unauthorized persons from accessing the data. The IT devices and systems of the brokerage house shall be secured against loss of data caused by power supply failure, other failures or interferences as well as other fortuitous events. In order to ensure continuous service and work of its IT systems, the brokerage house shall create, at least once a day, a backup copy of its database in order to enable data recovery and resumption of work of IT systems in case of failure and loss part or all data in the basic databases. The brokerage house is also obliged to guarantee that the premises where brokerage activity is conducted are secured against uncontrolled access by unauthorized persons, the premises where service of customers of the brokerage house is conducted are separated in a manner preventing the customers of the brokerage house from uncontrolled access to the	Polish Securities and Exchange Commission is responsible for drafting and the Council of Ministers for approving

		<p>remaining premises of the brokerage house. The brokerage house is also obliged to ensure technical and organizational conditions enabling orders to be placed in a confidential manner. The brokerage house is obliged to apply organizational principles which guarantee security of customer service and of the documents and data in storage.</p> <p>(Par. 6, Par. 3.2, Par. 3.3, Par. 3.4, Par. 3.5)</p> <p>The brokerage house shall keep a procedures book, containing procedures connected with the conducted activity, which are currently in force in the brokerage house.</p> <p>According to Art. 40.2 of The Law on Public Trading of Securities the entity applying for the permit for conducting brokerage activities must provide PSEC with organisational procedure, internal control procedure, protecting of confidential information procedure. Every change of those procedures must be notified to PSEC.</p>	
SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 71	The organization structure and system of management of an investment firm must ensure proper and safe performance of investment services specified in its license to provide investment services.
SLOVENIA	SMA	Please see under point 2 of the Retail Regime.	

<b>Standard 3</b>			
<i>An investment firm must ensure that any persons or entities with which it is undertaking authorisable investment business are authorised to conduct that business by the relevant regulator.</i>			
<b>Country</b>	<b>Implementing Authority(ies)</b>	<b>Implementing Measure<sup>10</sup></b>	<b>Comments</b>
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees proposed by the Minister of Finance CBFA circulars	Partly covered by KYC-rules (L. 11 January 1993) and prudential requirements (Laws of 22 March 1993 and 6 April 1995) relating to reputational risk. See also the uniform letter to credit institutions of 5 February 2003 relating to the compliance function	Further measures can be taken by RD on the basis of Art. 26, 17° L 2 August 2002
DENMARK			The Ministry of Economic and Business Affairs is the competent Authority for deciding on the further implementation. The Danish Financial Supervisory Authority has approached the Ministry of Economics and Business Affairs in that regard
FINLAND	Parliament Rahoitustarkastus	Sections 10 and 12 of the Act on Investment Firms	General rule, no detailed provisions available yet. The Securities Markets Act sets general rules for both the retail and professional regime. The issuance of more detailed provisions is delegated to the Financial Supervision Authority. See Standard 1 above. The Rahoitustarkastus regulations and guidelines are currently

<sup>10</sup> Any derogation to the application of the implementing measures should be mentioned.

			under general restructuring and revision. The need for specifying provisions concerning the conduct of business rules is under discussion in that project. In this case that means for example a clear distinction between the different regimes. The consultation paper is scheduled to be sent out in early 2004.
FRANCE	AMF	Art. L Prohibition to provide Investment services without agreement : penal sanction	
GERMANY		See 1	See 1
GREECE		Section 4.2. (c ) (f) of the Code of Conduct.	
ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	Investment Intermediaries Act, 1995, ("IIA"), Section 17 Register of Business Firms	
ITALY	CONSOB	Article 33, paragraph n. 1, of Consob Regulation 11522 <i>(Reception and transmission of orders)</i> ○○ Article 46, paragraph n. 1 and 2, of Consob Regulation 11522 <i>(Delegation of management)</i> ○○ Article 53, paragraph n. 1 and 2, of Consob Regulation 11522 <i>(Delegation of management)</i>	Consob has already published for consultation a revision of its regulation n. 11522 of 1 July 1998 on investment services in the securities field to clarify the specific obligations arising from the general principles laid down in the provisions at present in force.
LUXEMBOURG		No specific rules	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	
NORWAY	Parliament	STA, section 9-1 para 1 No. 1. (This provision does not expressly require the investment firm to ensure that counter parties have the necessary licenses, but it is implied that that the internal routines of the firm should cover this issue. Kredittilsynet may clarify this in a circular letter).	
PORTUGAL		article 305/1 of the Portuguese Securities Code; article 46/1 of CMVM Regulation 12/2000	
SPAIN	Ministry of Economy / CNMV	Royal Decree 629/1993, of 3 May, Governing Rules of Action in the Securities Markets and Obligatory Record-Keeping. "Annex General Code of Conduct for the Securities Markets". Article 7 "Refusal to trade and duty to refrain "	
SWEDEN	Finansinspektionen		Specific rules concerning the professional regime have not been implemented. A general obligation for investment firms to conduct securities business in such a manner that the business can be regarded as sound is explicitly stated in The Securities Business Act (1991:981) Chap 1 Section 7. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.

UNITED KINGDOM	FSA	FSA Handbook: Principle 1 (Integrity) provides that a firm must conduct its business with integrity. Principle 2 (Skill, care and diligence) provides that a firm must conduct its business with due skill, care and diligence.	There is no express equivalent of this requirement. The principles referred to would only be likely to apply where the firm actually is aware that its counterparty is acting in breach of an applicable regulatory restriction.
CYPRUS	Cyprus Securities and Exchange Commission	Paragraph 4.2.4 of Annex 1 of the Conditions for granting an authorisation to Cypriot Investment Firms, Directive 1/2002	
	Cyprus Securities and Exchange Commission and the Central Bank of Cyprus	Paragraph 8 of Annex 7 of the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003	
CZECH REPUBLIC			There is no special regime for “professional clients” of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for “institutional investors” defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.
ESTONIA	The EFSA.	Guideline.	
HUNGARY		See comments for paragraph 1.	
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA			No such requirement is imposed on Investment Firms.
POLAND	Parliament for enacting	Art. 41 of Polish Law on Public Trading of Securities (hereinafter referred to as “Law”) which requires employing securities brokers and investment advisers by a brokerage house. There is also a general rule prohibiting using other than brokerage houses entities for providing investment services by a brokerage house. The PSEC has already prepared a draft of a new Polish Law on Public Trading of Securities prepared which includes possibility of using tied agents and banks by a brokerage house for providing investment services (all the rules concerned are similar to ones included in the current draft of a new Investment Services Directive).	Polish Securities and Exchange Commission is responsible for drafting  Adoption of the new Act implementing this standard is envisaged to take place according to the current proposal of the Financial Instruments Markets Directive, before deadline for the implementation of the FIM Directive
SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 55	For a license to be granted, the fulfillment of the number of conditions stipulated by law must be documented, including professional competence and trustworthiness of persons who are proposed as member of the board of directors, paid up share capital of the stock brokerage firm as required under Article 54 of the Securities Law, transparent and credible source of share capital and other financial resources of the stock brokerage firm,, suitability of persons with qualified interest in the investment firm and transparency of relations between these persons, in particular transparency of their interests in share capital and voting rights,

			professional competence etc.
SLOVENIA	SMA	Please see under point 3 of the Retail Regime.	

<b>Standard 4</b>			
<i>Investment firm that outsources functions retains full responsibility for the outsourced activity and must ensure that the providers of such outsourcing are able to perform these functions reliably, professionally and in the best interests of its customers<sup>11</sup>.</i>			
<b>Country</b>	<b>Implementing Authority(ies)</b>	<b>Implementing Measure<sup>12</sup></b>	<b>Comments</b>
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees proposed by the Minister of Finance CBFA circulars	Art. 36, § 1, 7°, L. 6 April 1995 Art. 62, L. 6 April 1995 Art. 20, L. 22 March 1993 See also: CBFA circular of 10 July 2002 to securities houses on clearing on Euronext	Ongoing policy work within CBFA on sound practices for outsourcing (draft regulation and/or circular to financial institutions)
DENMARK			The Ministry of Economic and Business Affairs is the competent Authority for deciding on the further implementation. The Danish Financial Supervisory Authority has approached the Ministry of Economics and Business Affairs in that regard
FINLAND	Parliament Rahoitustarkastus	Section 16 b of the Act on Investment Firms Rahoitustarkastus on Risk Management and other Aspects of Internal Control in Investment Funds (4.1).	
FRANCE	Parliament and banking authorities	Articles 6-3-8 and 6-3-9 of the GR of the CMF Article 1-15 of COB Instruction of 17 December 1996	
GERMANY		See 1	See 1
GREECE		Section 10.2. (j) of the Code of Conduct.	
ICELAND			See Standard 1.
IRELAND	IFSRA	<u>GS&amp;RR, Section 2</u> As at 2, Part A above.	
ITALY	CONSOB BANK OF ITALY	Bank of Italy regulation of 4 august 2000 Title III – Supervision; Chapter II - Administrative and accounting procedures and internal control mechanisms  Paragraph 2, n. 2.2) Internal Controls  The Bank of Italy maintains the right to assess – having considered the principles of promptness, reliability and efficiency – hypothesis of delegation to third parties of the internal control function of the investment firms, after consulting the Consob on matters falling within the scope of that Authority.  Paragraph 5 Delegation of business functions to third parties  The investment firms – in order to carry out some non core business functions (such as data processing, market analysis, tax	Consob has already published for consultation a revision of its regulation n. 11522 of 1 July 1998 on investment services in the securities field to clarify the specific obligations arising from the general principles laid down in the provisions at present in force.

<sup>11</sup> This standard is not intended to interfere with relevant provisions on civil liability, applicable at national level.

<sup>12</sup> Any derogation to the application of the implementing measures should be mentioned.

		and financial analysis, filing and processing of paper documents etc...) – may use third-party services, considering that the investment firm’s competent bodies remain responsible for the regular execution of the delegated tasks.  ○○○  See above also rule 3.	
LUXEMBOURG	CSSF	See 4 on standards and rules of general application above	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	no legislative authority for AFM
NORWAY	Parliament	STA , section 9-1 and Regulation 2003/289 regarding outsourcing of functions section 2 para 4.	
PORTUGAL		article 46/1 and article 48/1 of CMVM Regulation 12/2000	
SPAIN	Ministry of Economy / CNMV	CNMV Circular 1/1998, dated June 10, About Internal Control Systems, Monitoring and Assessment of risks. Rule 6 <sup>a</sup>	
SWEDEN	Finansinspektionen	Recommendation on outsourcing, 1998-12-18 See A 4	Specific rules concerning the professional regime have not been implemented. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.
UNITED KINGDOM	FSA	SYSC 3.2.3G(2) and 3.2.4G(1) (Organisation) provide that a firm: <ul style="list-style-type: none"> <li>cannot contract of its regulatory obligations where delegating functions within the firm or outsourcing;</li> <li>must assess whether the service provider is suitable to carry out the delegated function or task, taking into account the degree of responsibility involved; and</li> </ul> must put in place measures to supervise the discharge of the functions delegated to the service provider.	The precise meaning of outsourcing might need to be clarified to ensure consistency between CESR members' approaches. Does Standard 4 cover regulatory responsibilities only or regulatory and contractual responsibilities? SYSC 3.2 covers regulatory responsibilities only.
CYPRUS	Cyprus Securities and Exchange Commission  Cyprus Securities and Exchange Commission and the Central Bank of Cyprus  Cyprus Securities and Exchange Commission	Paragraphs 3.8 and 4.2.4 of Annex 1 of the Conditions for granting an authorisation to Cypriot Investment Firms, Directive 1/2002  Part IV of Annex 10 of the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003  This is included as a condition in the licence issued to investment firms	
CZECH REPUBLIC			There is no special regime for “professional clients” of investment firms in the Czech law. There are only exemptions from the

			general investment firm – client regime for “institutional investors” defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.
ESTONIA	The EFSA.	Guideline.	
HUNGARY		See comments for paragraph 1.	
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA	MFSA	Part D of the ISG deals with outsourcing of activities by Investment Firms:  SLC 1.01.  SLC 1.02	There is no specific requirement ensuring that the Investment Firm must ensure that the service provider to whom it outsourced the activity will be able to perform the functions reliably, professionally and in the best interest of its customers. Rather this requirement seems to be satisfied indirectly given that the Investment Firm – which is obliged to act reliably, professionally and in the best interest of its customers - is required to ensure that the “outsourced function is carried out at a proper standard and that the integrity of the Investment Firms own systems and controls is not prejudiced”.
POLAND		There is no possibility of brokerage activities outsourcing according to Polish current and proposed regulations.	
SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 73	An Investment Firm is obliged to use professional care in the interest of its clients when providing services, and may not give preference to trading for his own account. An investment firm is obliged to avoid conflict of interest between the investment firm and client, or between clients; if a conflict of interest cannot be avoided investment firm shall give preference to the interest of a client before its own, and where a conflicts of interest arises between clients, shall ensure equal and fair treatment for all clients.
SLOVENIA	SMA	Please see under point 4 of the Retail Regime	

## 1.2. CONFLICTS OF INTEREST AND INDUCEMENTS

Standard 5	<i>An investment firm must take all reasonable steps to ensure that conflicts of interest between itself and its customers and between one customer and another are identified and then prevented or managed in such a way that the interests of customers are not adversely affected. For these purposes the investment firm must establish an internal independence policy, including Chinese walls as appropriate. Where conflicts of interest cannot be reasonably avoided or managed with the internal independence policy, the conflict of interest must be disclosed to the customer.</i>		
Country	Implementing Authority(ies)	Implementing Measure <sup>13</sup>	Comments
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal	Art. 36, § 1, 6° L. 6 April 1995	To come into effect later: Art. 26, 4° and 27 § 1, 1° and 2°, L. 2

<sup>13</sup> Any derogation to the application of the implementing measures should be mentioned.

	Decrees proposed by the Minister of Finance CBFA circulars	Art. 62, L. 6 April 1995 Art. 79 and 127 L. 6 April 1995 Art. 20 Royal Decree 5 August 1991 on portfolio management Circular 92/4 of 14 August 1992 to banks on portfolio management	August 2002. Further implementing measures can be taken on the basis of Art. 28, § 1, 5°, L. 2 August 2002 According to Art. 28, § 1, 1°, of the L. of 2 August 2002 the King may determine different rules for the application of the provisions of Article 26, according as the investment services are provided to professional investors or to other investors. CBFA Consultation document on revised rules for portfolio management (2003)
DENMARK	Parliament  The Ministry of Economic and Business Affairs	Financial Business Act, section 71, par 1, no 3.  Executive order on Conduct of Business, section 19, par 2  (The above mentioned rules require that investment firms take all reasonable steps to ensure that conflicts of interest do not occur, and when they cannot be avoided ensure that the clients are fairly treated. Furthermore investment firms should provide proper segregation of functions)	
FINLAND	Parliament Rahoitustarkastus	Chapter 4, Section 4, Paragraph 3 of the Securities Markets Act. Rahoitustarkastus Guideline on Segregation of Securities Business Functions (201.12).	The Securities Markets Act sets general rules for both the retail and professional regime. The issuance of more detailed provisions is delegated to the Financial Supervision Authority. See Standard 1 above.
FRANCE	Parliament and AMF	Article 533-4 of the MFC, art 3-1-6 and article 3-1-7 of the GR of the CMF. Article 14 of COB Regulation 96-03 (relating to portfolio management)	The main texts applicable regarding the conflict of interest issue set out the general principle of avoidance and proper management of conflicts of interests.
GERMANY		See 1	See 1
GREECE		Sections 5.3., 8.3 (d) and 8.2. of the Code of Conduct.  Under the fifth principle as well as the sixth principle of the Code of Conduct that are more specifically described in sections 8.1. (b) and 9 of the Code of Conduct, investment services firms should take all reasonable steps to ensure the avoidance of conflict of interests situations and should ensure the equal treatment of their customers.  Fifth Principle:  e) Fifth Principle: Investment services firms and natural and legal persons employed by them shall avoid conflicts of interest between themselves and their clients.  Sixth Principle:  f) Sixth Principle: Investment services firms and natural and legal persons employed by them shall ensure the equal treatment of their clients.	

ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	<p><u>COC, Section 23</u> As at 5, Part A above. <u>COC Section 13.1</u> A firm is required to make adequate disclosure of relevant material information in its dealings with clients, including but not limited to the disclosure to a client of material interests or conflicts of interests, when recommending a transaction to a client or executing a transaction for a client.</p>	
ITALY	CONSOB	<p>Article 21, paragraph n. 1, c) of Legislative decree n. 58/1998 <i>(General criteria)</i></p> <p style="text-align: center;">ooo</p> <p>Article 27, of Consob Regulation 11522 <i>(Conflicts of interest)</i></p> <p>Article 31 paragraph n. 1, of Consob Regulation 11522 <i>(Relationships between intermediaries and special categories of investor)</i></p> <p>Article 56, paragraph n. 3 and 4, of Consob Regulation 11522 <i>(Internal procedures)</i></p>	Consob has already published for consultation a revision of its regulation n. 11522 of 1 July 1998 on investment services in the securities field to require investment firms to disclose conflict of interests to professional clients.. Still professional clients can opt, already at present, for the level of protection afforded to retail customers.
LUXEMBOURG	CSSF	The professional shall adopt such internal structural measures and procedures as are necessary to guard against conflicts of interest. To this end, he shall, in particular, enforce a strict segregation of functional or business units where such conflicts may arise, and thus avoid the unnecessary circulation of information liable to give rise to conflicts of interest. Where a conflict of interest is unavoidable, the professional shall take all appropriate action to avoid personal gain for himself and any loss for his client or any other parties with whom ha has a business relationship. Depending upon the circumstances, the professional shall decline to act (principles 6.1. and 6.5. of the circular CSSF 2000/15).	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain:depending on outcome of deliberations with ministry of finance	
NORWAY	Parliament	STA, section 9-1 par 1 No. 5 and 9-2 par 1 No. 5 and 5.	
PORTUGAL		SC art. 305/2 CMVM Reg. 12/2000 art. 33/2 and article 34	
SPAIN	Ministry of Economy / CNMV	<p>Law 24/1988, Securities Markets Act. Title "Conduct of Business Rules". Article 79 b) f) h).</p> <p>Royal Decree 629/1993, of 3 May, Governing Rules of Action in the Securities Markets and Obligatory Record-Keeping. Annex "General Code of Conduct for the Securities Markets". Article 6 "Conflicts of interest".</p>	
SWEDEN	1) Parliament	1)The Securities Business Act (1991:981), Chap 1 Section 7	Specific rules concerning the professional regime have not been

	2) Finansinspektionen	2) Regulation on Conduct of Business rule (2002:7), Chap 2 Section 1-2 The last sentence is not implemented. See A 5	implemented. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.
UNITED KINGDOM	FSA	Principle 1 (Integrity) Principle 8 (Conflicts of interest) requires investment firms to manage conflicts of interest between the firm and its customer and between one customer and others fairly Principle 8 does not apply where the client is an MCP (please see further in Part D for MCPs).	Principle 8: <ul style="list-style-type: none"> <li>• does not apply where the client is an MCP.</li> <li>• requires investment firms to manage conflicts fairly rather than 'take all reasonable steps'.</li> </ul> In our view, "identify" and "prevent" are implicit in "manage". The emphasis in the FSA Handbook is to identify and make available to firms the reasonable steps that can be taken to manage customers' interests fairly. If a firm has a fiduciary relationship with its client (eg where it acts as an advisor or a manager or other agent), it will be subject to a prima facie fiduciary obligation to ensure that no conflict arises between its interests and those of its client. As a matter of general law, such obligations can be modified (for example, by agreement between the client and the firm). However, if these obligations are not modified and the firm contravenes them, it may also breach Principle 1, which requires the firm to conduct its business with integrity. Work on this area is continuing in CESR, IOSCO and the EU Commission Forum Group on Analysts and the FSA.
		COB 7.1 (Conflict of interest and material interest) COB 7.1 only applies where: <ul style="list-style-type: none"> <li>• there is a transaction to be entered into; and</li> <li>• that transaction is to be entered into with or for a customer (as opposed to an MCP).</li> </ul>	Under COB 7.1.3, if a firm has: <ul style="list-style-type: none"> <li>• a material interest in a transaction to be entered into with or for a customer;</li> <li>• a relationship that gives rise or may give rise to a conflict of interest in relation to such a transaction;</li> <li>• an interest in a transaction that is or may be in conflict with the interest of any of the firm's customers; or</li> <li>• customers with conflicting interests in respect of a transaction, it must not knowingly advise or deal in the exercise of a discretion in relation to that transaction unless it takes reasonable steps to ensure fair treatment for the customer .</li> </ul> This provision does not apply where the client is an MCP.
		COB 7.1 (Conflict of interest and material interest) COB 7.1.4 indicates that any one or more of the following four 'reasonable steps' can be used to manage conflicts of interest: <ul style="list-style-type: none"> <li>• disclosure of the interest to the customer;</li> <li>• relying on a policy of independence;</li> <li>• the establishment of Chinese walls; and</li> <li>• declining to act for a customer.</li> </ul> Guidance is provided on the circumstances in which each of these	We believe that COB 7.1 achieves an equivalent level of consumer protection even though it does not prioritise the use of a policy of independence over disclosure or measures in the same way as the CESR Standards/Rules.

		<p>steps is appropriate. Where disclosure is used it should be made either orally or in writing before advising the customer or dealing on his/her behalf in exercise of discretion. The firm should be able to demonstrate that it has taken reasonable steps to ensure that customer does not object to the material interest or conflict. These provisions do not apply where the client is an MCP</p> <p>COB 4.2.15 E (13) indicates that, when a conflict of interest arises, one of the matters to be included in an investment firm's agreement with its customer is the manner in which the firm will ensure fair treatment as required by COB 7.1.3. This provision does not apply where the client is an MCP.</p>	
			There is a limited derogation from COB 4.2 in relation to, for example, bringing about any execution-only transaction or where a customer enters into a transaction as a result of a direct offer financial promotion: COB 4.2.9R.
CYPRUS	House of Representatives  Cyprus Securities and Exchange Commission and the Central Bank of Cyprus	Section 40(1)(f) of the Investment Firms Laws 2002-2003  Section 10 and Part I of Annex 6 of the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003	
CZECH REPUBLIC			There is no special regime for “professional clients” of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for “institutional investors” defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.
ESTONIA	The EFSA.	SMA § 85. Guideline. Rules and Regulations “Membership Rules” p 7.5 provides for the investment firm's obligation to establish Chinese wall in its internal procedure rules.	
HUNGARY		See comments for paragraph 1.	
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA	MFSA	Part C1 of the Investment Services Guidelines repeatedly requires an Investment Firm to identify and prevent or manage – either by way of internal procedures or disclosure - conflicts of interest between itself and its customers. 3.02 (b) 3.07(c) 8.07(l)	No specific reference is made to conflicts of interests between customers.
POLAND	Council of Ministers for enacting	According to Art. 40.2.4 every of The Law on Public Trading of Securities the entity applying for the permit for conducting brokerage activities must provide PSEC with protecting of confidential information procedure. Every change of those procedures must be notified to PSEC.	Polish Securities and Exchange Commission is responsible for drafting

		There is a draft of a new Polish Law on Public Trading of Securities prepared which includes a delegation for issuing by Council of Ministers the decree concerning conflicts of interests. The decree will specifically regulate all the issues related to that matter. There are no drafts of this decree yet.	30 September 2003 draft approved by the Council of Ministers whilst its entry into force envisaged for 1 May 2004.
SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 73	See rule 4.
SLOVENIA	SMA	Please see under point 5 of the Retail Regime	

<b>Standard 6</b>			
<i>An investment firm, its members of the board, directors, partners, employees and tied-agents may offer or receive inducements only if they can reasonably assist the firm in the provision of services to its customers. Where inducements are received disclosure of such inducements must be made to the customer on his request.</i>			
<b>Country</b>	<b>Implementing Authority(ies)</b>	<b>Implementing Measure<sup>14</sup></b>	<b>Comments</b>
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees proposed by the Minister of Finance CBFA circulars	Art. 36, § 1, 6° L. 6 April 1995 Art. 81 L. 6 April 1995 Art. 3 and 16 Royal Decree of 5 August 1991 on portfolio management Circular 92/4 of 14 August 1992 to banks on portfolio management	To come into effect later : Art. 26, 5° L. 2 August 2002 CBFA Consultation document on revised rules for portfolio management New rules can be enacted on the basis of Art. 26, 17° , L. 2 August 2002. See also: Art.146 L. 2 August 2002 Please note that according to Art. 28, § 1, 1°, of the L. of 2 August 2002 the King may determine different rules for the application of the provisions of Article 26, according as the investment services are provided to professional investors or to other investors.
DENMARK			The Ministry of Economic and Business Affairs is the competent Authority for deciding on the further implementation. The Danish Financial Supervisory Authority has approached the Ministry of Economics and Business Affairs in that regard
FINLAND	Parliament Rahoitustarkastus	Chapter 4, Section 4, Paragraph 3 of the Securities Markets Act Act on Investment Firms Section 16 b  Rahoitustarkastus Standard on Risk Management and other Aspect of Internal Control in Investment Funds (4.1).  Rahoitustarkastus Guideline on Practices to be applied in the Provisions of Investment Services (201.7).	No precise provisions as to prohibit an investment firm from offering or receiving inducements only if they can reasonably assist the firm in the provision of services to its customers. The Securities Markets Act sets general rules for both the retail and professional regime. The issuance of more detailed provisions is delegated to the Financial Supervision Authority. See Standard 1 above. The Chapter 4, Section 4, Paragraph 2 of the Securities Markets Act states clearly that the duty to notify the customer of information on the investment service and the securities forming the object thereof which may have a material effect on the decision-making of the customer does not apply to an investment firm when the client is a professional investor.  Rahoitustarkastus has been in dialogue with the Ministry of

<sup>14</sup> Any derogation to the application of the implementing measures should be mentioned.

			Finance in implementing the CCSR standards in this respect. Currently the Ministry of Finance is concentrating on negotiations of the new ISD proposal and is therefore not giving a new project in this sector a preference.
FRANCE	AMF	Articles 3-2-8, 3-3-11 and 3-3-12 of the GR of the CMF Articles 8 quarter and 8 septies of COB Regulation 96-03	These provisions do not implement the standards as such, rather they prohibit fee return agreements in most circumstances, limit the possibility of soft commissions to goods and services useful to the firm and require firms to supervise and limit gifts, etc. received by staff. With respect to portfolio management, the COB provision prohibits fee return agreements (unless the rebates are credited exclusively to the account of the customer), subjects soft commission agreements to strict rules (they must not affect best execution, must be directly useful for the customer, must be sent to the compliance department and the estimated amounts included in the annual accounts), and requires detailed disclosure of soft commission agreements in the annual management report if their total value exceeds 1% of portfolio management fees earned by the firm.
GERMANY		See 1	See 1
GREECE		Section 4.2. (d) of the Code of Conduct.	
ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	<u>COC, Section 22</u> As at 5, Part A above. <u>COC, Section 2.3(f)</u> As at 6, Part A above.	
ITALY	CONSOB	Article 21, paragraph n. 1, a) of Legislative decree n. 58/1998 <i>(General criteria)</i>  See also the implementing measures provided for in connection with rule 6 on the retail regime.	Consob has already published for consultation a revision of its regulation n. 11522 of 1 July 1998 on investment services in the securities field to clarify the specific obligations arising from the general principles laid down in the provisions at present in force and, in particular, to define the scope of these provisions and extend explicitly to other services the obligations at present applying to collective asset management companies to disclose inducements.
LUXEMBOURG	CSSF	Pursuant to principle 6.2. of the circular CSSF 2000/15 the professional shall also lay down procedures to guard against the acceptance or solicitation by members of his staff or benefits in whatever form which, in the light of his business, are such as to give rise to the risk of a conflict of interest with respect to the professional's obligations towards his clients. Accordingly, the professional shall take such action as is appropriate to restrict the giving or receiving of gratuities or benefits in whatever form by members of staff in the course of their employment. The professional shall require disclosure of gratuities and other benefits received by members of staff of a value which exceeds a reasonable limit fixed by him.	
NETHERLANDS	Ministry of Finance or AFM:	uncertain:depending on outcome of deliberations with ministry of	no legislative authority for AFM

	deliberations are pending	finance	
NORWAY		Inducements are not permitted	
PORTUGAL		SC art. 312/1/b	
SPAIN	Ministry of Economy /CNMV	Royal Decree 629/1993, of 3 may, Governing Rules of Action in the Securities Markets and Obligatory Record-Keeping. Annex “General Code of Conduct for the Securities Markets”. Article 1.7 “Impartiality and Good Faith”.	
SWEDEN	Finansinspektionen	.	Specific rules concerning the professional regime have not been implemented. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.
UNITED KINGDOM	FSA	Principle 1 (Integrity) provides that a firm must conduct its business with integrity. Principle 6 (Customers’ Interests) provides that a firm must have due regard to the interests of its customers and treat them fairly. Principle 6 does not apply where the client is an MCP.	If a firm has a fiduciary relationship with its client (eg where it acts as an advisor or a manager or other agent), it will be subject to a prima facie fiduciary obligations to ensure that no conflict arises between its interests and those of its client and not to make a secret profit. As a matter of general law, such obligations can be modified (for example, by agreement between the client and the firm). However, if these obligations are not modified and the firm contravenes them, it may also breach Principle 1, which requires the firm to conduct its business with integrity.
		COB 2.2.3 (Prohibition of inducements) requires a firm to take reasonable steps to ensure that it, or any person acting on its behalf, does not <i>inter alia</i> offer or accept an inducement that is likely to conflict to a material extent with any duty owed to its customers or any duty owed by a recipient firm to its customers.	
		COB 2.2.5 – 2.2.7 contain specific guidance on whether the provision of inducements in connection with the sale of packaged products is acceptable.	These provisions do not apply where the client is an MCP. However, as most packaged products (other than investment trust saving schemes) are not inter-professional investments, the IFA is likely to be an intermediate customer..
		COB 2.2.8 - 15 R	These provisions, which relate to so-called “soft commission agreements”, set out a regime that allows investment firms to receive inducements in certain circumstances. An investment firm may accept goods and services under a soft commission agreement provided they are of direct relevance to, and used to assist in the provision of, certain specified services to the firm's customers. These provisions do not apply where the client is an MCP.
		COB 2.2.16 (Prior disclosure) and 2.2.18 (Periodic disclosure). COB 2.2.16 provides that before an investment firm enters into a client agreement authorising it to deal for a customer under a soft commission agreement entered into by the firm or where it knows (or reasonably ought to know) that another member of its group has such an agreement, it must inform the customer in writing of the existence of the soft commission agreement and the firm’s (or	The requirements for initial and periodic disclosure only apply where: <ul style="list-style-type: none"> <li>the client is not an MCP; and</li> <li>the soft commission regime has been triggered.</li> </ul> For example, these requirements do not apply where an inducement is accepted in accordance with the guidance related to packaged products or otherwise where reasonable steps have been

		where relevant the group's) policy in relation to soft commission. COB 2.2.18 imposes a requirement in such circumstances to provide customers with information on soft commission arrangements on an annual basis. These provisions do not apply where the client is an MCP	taken to ensure that the inducement will not give rise to a material conflict of interest.
CYPRUS	Cyprus Securities and Exchange Commission and the Central Bank of Cyprus  Cyprus Securities and Exchange Commission	Paragraph 2.2(b)(i) of Annex 6 of the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003  Paragraph 5.2.4 of Annex 1 of the Conditions for granting an authorisation to Cypriot Investment Firms, Directive 1/2002	There is no specific reference to directors, employees etc or inducements other than commissions. This matter will be expressly provided for in the forthcoming amendments to the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003, which are expected to be issued by the end of the first quarter of 2004.
CZECH REPUBLIC			There is no special regime for "professional clients" of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for "institutional investors" defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.
ESTONIA	The EFSA.	Guideline.	
HUNGARY		See comments for paragraph 1.	
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA	MFSA	Part C1 of the ISG imposes various disclosure requirements of commission payments, in terms of the following Licence Conditions:  8.07 (j), (o[i-ii]) SLC 8.09	'Inducements' is taken to mean 'commissions'. No requirement is imposed specifically stipulating that Investment Firms, its Board, Directors, partners, employees and tied-agents may offer or receive inducements only if they can reasonably assist the firm in the provision of services to its customers. The ISG rather focus one the disclosure of commission payments.
POLAND	Parliament for enacting	There is a draft of a new Polish Law on Public Trading of Securities prepared which includes a possibility of using tied agent by a brokerage house. Proposed draft also establishes rules governing such an agent acting on behalf of a brokerage house. The current Law defines as a professional secrecy all the information using of which could harm market participants' interests (which includes also any inducements received from customer). Every person acting on behalf of a brokerage house is obliged to keep professional secrecy. Every unauthorised using of such information is investigated and punished. (Art. 4 pkt 18, Art. 159, Art. 175). In the Polish law system only legal persons can provide brokerage activities and the Commercial Code specifies who is powered to act on behalf. All the general rules are applied to brokerage houses. There is a draft of a new Polish Law on Public Trading of Securities prepared which includes a delegation for issuing by Council of Ministers the decree concerning inter alia conduct of business	Polish Securities and Exchange Commission is responsible for drafting  30 September 2003 draft approved by the Council of Ministers whilst its entry into force envisaged for 1 May 2004.

		rules. The decree is going to expressly establish such obligations.	
SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 73	See rule 4.
SLOVENIA		Not implemented.	

### 1.3 COMPLIANCE AND CODE OF CONDUCT

<b>Standard 7</b>	<i>An investment firm must take all reasonable measures to ensure that the firm and its members of the board, directors, partners, employees and tied-agents at all time act in accordance with the best interests of its customers and the integrity of the market by establishing and implementing adequate compliance policies and procedures, including an independent compliance function and an internal code of conduct.</i>		
<b>Country</b>	<b>Implementing Authority(ies)</b>	<b>Implementing Measure<sup>15</sup></b>	<b>Comments</b>
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees proposed by the Minister of Finance  CBFA circulars	Art. 36, § 1, 7° L. 6 April 1995 Art. 62, L. 6 April 1995 Art. 20, L. 22 March 1993 CBFA circulars with instructions to the credit institutions and investment firms on the role of the compliance function (circular to the credit institutions of 18 December 2001 and circular to the investment firms of 14 November 2002) See also the uniform letter to credit institutions of 5 February 2003 relating to the compliance function	To come into effect later: Art. 27, § 1 and § 2, L. 2 August 2002. Further implementing measures can be taken on the basis of Art. 28, § 1, 5°, L. 2 August 2002
DENMARK			The Ministry of Economic and Business Affairs is the competent Authority for deciding on the further implementation. The Danish Financial Supervisory Authority has approached the Ministry of Economics and Business Affairs in that regard
FINLAND	Parliament Ministry of Finance Rahoitustarkastus	Section 10, 12 and 16 b of the Act on Investment Firms Section 10 of the Decree of the Ministry of Finance on the Application for Authorisation of an Investment Firms Rahoitustarkastus Standard on Risk Management and other Aspect of Internal Control in Investment Funds (4.1).  Rahoitustarkastus Guideline on Practices to be applied in the Provisions of Investment Services (201.7).	The size of a firm defines the required standard for processes. In Finland the investment firms are mainly relatively small. In most of the cases the compliance function is a part of the legal department or the legal function of an investment firm. The Securities Markets Act sets general rules for both the retail and professional regime. The issuance of more detailed provisions is delegated to the Financial Supervision Authority. See Standard 1 above. The issuance of more detailed provisions as to the general provisions on risk management and more precisely on the requirements to be set on risk management systems and other internal monitoring is delegated to the Financial Supervision Authority by the Act on Investment Services.
FRANCE	AMF	Articles 3-1-1, 3-1-3 and 3-1-4 of the GR of the CMF Articles 11 and 12 of COB Regulation 96-03 (on portfolio management)	The texts provide explicitly for the obligation for the investment firm to have an internal compliance code and compliance officer responsible for its enforcement.
GERMANY		See 1	See 1
GREECE		Sections 4.2.(b) and 7.2.(e) of the Code of Conduct.	

<sup>15</sup> Any derogation to the application of the implementing measures should be mentioned.

ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	GS&RR, Section 2.5 As at 9, Part A above.	
ITALY	CONSOB	Article 21, paragraph n. 1, d) of Legislative decree n. 58/1998 <i>(General criteria)</i> °°° Article 56, paragraph n. 1 and 2, of Consob Regulation 11522 <i>(Internal procedures)</i> °°° Article 57, paragraph n. 1 of Consob Regulation 11522 <i>(Internal controls)</i>  Article 57, paragraph n. 1 of Consob Regulation 11522 <i>(Internal code of conduct)</i> See above rule 9 of the retail regime  Bank of Italy regulation of 4 august 2000  Title III – Supervision; Chapter II - Administrative and accounting procedures and internal control mechanisms See above rule 9 of the retail regime	Consob has already published for consultation a revision of its regulation n. 11522 of 1 July 1998 on investment services in the securities field to require investment firms to disclose conflict of interests to professional clients.
LUXEMBOURG	CSSF	According to the circular 2000/15 the executive management of the professional designates one of its members to be in charge of implementing the policy and rules it has established in this context and who oversees the compliance with the rules of conduct. This member can be the same as the one designated in accordance with IML Circulars 93/101 and 93/102. The executive management is in charge of communicating this procedure and any change thereof to the personnel concerned. It will regularly organise internal audits so as to verify the compliance with the rules of conduct in accordance with IML Circular 98/143 relating to internal audit.	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	
NORWAY	Parliament	STA, section 9-1 para 1 No. 5 and 9-2 No. 6	
PORTUGAL		SC art. 312/1/b	
SPAIN	Ministry of Economy / CNMV	Law 24/1988 Securities Markets Act Title VII “Conduct of Business Rules”. Articles 78 c), 79 a) and 79 d).  Royal Decree 629/1993, of 3 May, Governing Rules of Action in the Securities Markets and Obligatory Record-Keeping. Annex “General Code of Conduct for the Securities Markets”. Article 3.5 “Resources and capacities”.  CNMV Circular 1/1998, dated June 10, About Internal Control Systems, Monitoring and Assessment of risks. Rule 4ª.	

SWEDEN	Finansinspektionen	<p>1) Regulation on Conduct of Business rules (2002:7), Chap 3 Section 1 (independent compliance function). See A 9</p> <p>2) Regulation on Ethical rules for entities under supervision (1998:22) (internal code of conduct) See A 9</p>	<p>Specific rules concerning the professional regime have not been implemented.</p> <p>Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.</p>
UNITED KINGDOM	FSA	<p>Principle 5 (Market Conduct) provides that a firm must observe proper standards of market conduct.</p> <p>Principle 6 (Customers' Interests) provides that a firm must have due regard to the interests of its customers and treat them fairly. Principle 6 does not apply where the client is an MCP.</p>	<p>There is no express requirement in the FSA Handbook to maintain an "internal code of conduct".</p>
	Parliament/FSA	<p>SYSC 3.2.6R &amp; 3.2.7G (Compliance) SYSC 3.2.6R provides that firm must take reasonable care to establish and maintain effective systems and controls for compliance with applicable regulatory requirements and standards.</p> <p>A company acts through its directors and employees and a partnership acts through its partners or employees. The systems and controls will therefore need to relate to these individuals.</p> <p>SYSC 3.2.7G indicates that it may be appropriate to have a separate compliance function, depending on nature, scale and complexity of the business.</p> <p>The organisation and responsibilities of a compliance function should be documented.</p>	<p>The requirements in CESR rule 7 are conditioned by reasonableness. FSA does not require an independent compliance function in every case in order to comply. Much depends on the nature, scale and complexity of the business in question – what is reasonable and adequate in one case might not be in another.</p>
		<p>Section 39(4) of FSMA in determining whether an investment firm has complied with the aforementioned requirement under SYSC 3.2.6, anything its tied agent has done or omitted as respects business for which the investment firm has accepted responsibility will be treated as having been done or omitted by the authorised person</p>	
CYPRUS	Cyprus Securities and Exchange Commission	<p>Section 4(1) and Paragraph 2.2 and Chapter 3 of Annex 1 of the Conditions for Granting an Authorisation to Cypriot Investment Firms, Directive 1/2002</p>	
CZECH REPUBLIC			<p>There is no special regime for "professional clients" of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for "institutional investors" defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.</p>
ESTONIA	The EFSA	SMA § 82.	



<b>Standard 8</b>			
<i>An investment firm must be able to demonstrate that it has not acted in breach of the conduct of business rules and the internal code of conduct and that its organization, policies and procedures facilitate such compliance.</i>			
<b>Country</b>	<b>Implementing Authority(ies)</b>	<b>Implementing Measure<sup>16</sup></b>	<b>Comments</b>
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees proposed by the Minister of Finance CBFA circulars	Art. 36, § 1, 7° and 62 L. 6 April 1995	New rules can be enacted on the basis of Art. 26, 17° , L. 2 August 2002 See also: Art. 146 L. 2 August 2002
DENMARK			The Ministry of Economic and Business Affairs is the competent Authority for deciding on the further implementation. The Danish Financial Supervisory Authority has approached the Ministry of Economics and Business Affairs in that regard
FINLAND	Parliament Ministry of Finance Rahoitustarkastus	Section 10 and 12 of the Act on Investment Firms Section 10 of the Decree of the Ministry of Finance on the Application for Authorisation of an Investment Firms	General rule, no detailed provisions available yet. The Securities Markets Act sets general rules for both the retail and professional regime. The issuance of more detailed provisions is delegated to the Financial Supervision Authority. See Standard 1 above. The issuance of more detailed provisions as to the general provisions on risk management and more precisely on the requirements to be set on risk management systems and other internal monitoring is delegated to the Financial Supervision Authority by the Act on Investment Services. The Rahoitustarkastus regulations and guidelines are currently under general restructuring and revision. The need for specifying provisions concerning the conduct of business rules is under discussion in that project. In this case that means for example a clearer distinction between the different regimes. The consultation paper is scheduled to be sent out in early 2004.
FRANCE	AMF	GR of the CMF (chapter II)	CMF regulation makes compulsory for an investment services providers to have in place all procedures and means that give the capacity to comply with the regulation  The AMF can sanction failure to comply with its regulations but the AMF must demonstrate this failure.
GERMANY		See 1	See 1
GREECE		Sections 10.2. (d), (e) (f) (k) of the Code of Conduct.	
ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	<u>GS&amp;RR, Section 2.3</u> As at 2, Part A above. <u>COC Section 1.7</u> As at 10, Part A above	
ITALY	CONSOB	Article 23, paragraph n. 6, of Legislative decree n. 58/1998	Consob has already published for consultation a revision of its

<sup>16</sup> Any derogation to the application of the implementing measures should be mentioned.

		<p style="text-align: center;"><i>(Contracts)</i> ○○○</p> <p style="text-align: center;">Article 56, paragraph n. 2, of Consob Regulation 11522 <i>(Internal procedures)</i> ○○○</p> <p style="text-align: center;">Article 58, paragraph n. 1, of Consob Regulation 11522 <i>(Internal code of conduct)</i></p> <p style="text-align: center;">Bank of Italy regulation of 4 august 2000 Title III – Supervision; Chapter II - Administrative and accounting procedures and internal control mechanisms</p> <p>2. Internal Controls. See above standard 10 of the retail regime.</p>	regulation n. 11522 of 1 July 1998 on investment services in the securities field to require investment firms to disclose conflict of interests to professional clients.
LUXEMBOURG	CSSF	See 7	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	
NORWAY	Parliament	STA, section 9-7 and Regulation 1996/950 (on record keeping). Section 9-1 para 1 No. 1 (internal routines etc.) and section 7-3 para 2 (requires the firm to demonstrate that it has the routines required by section 9-1 in order to obtain and retain a license).	
PORTUGAL		SC Art 304, 305 and 314/2	Implemented through article 305 of the SC. On issues of civil accountability, article 314/2 of the SC establishes an inversion of the burden of proof whenever damages are caused to clients. Hence, further to the duty of appreciation of the conduct of the financial intermediary in pursuance of high standards of increasing demand (article 305/1 of the SC), for accountability purposes, it is incumbent on the intermediary to demonstrate that it acted without guilt, and not on the client, as required in general terms. Within the scope of supervisory actions, the intermediary must demonstrate that it is acting in accordance with the applicable rules of conduct (e.g. that it delivered to its client a document on general investment risks or that a price list was made available prior to the provision of the service).
SPAIN	Ministry of Economy / CNMV	Royal Decree 629/1993, of 3 May, Governing Rules of Action in the Securities Markets and Obligatory Record-Keeping. Article 6 “Record of Transactions”.	
SWEDEN	Finansinspektionen	General guidelines on management and internal control (1999:12) See A 10	Specific rules concerning the professional regime have not been implemented. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.
UNITED KINGDOM	FSA	SYSC 3.2.20R (Records) requires a firm to take reasonable care to	There is no requirement to be able to demonstrate compliance with

		make and retain adequate records of matters and dealings (including accounting records) which are the subject of requirements and standards under the regulatory system, which is broadly defined to include the conduct of business rules).	the firm's internal code of conduct, because there is no requirement to maintain such a code. The record-keeping required does not go so far as to require the reversal of the burden of proof as regards COB compliance.
			This general record keeping requirements is supplemented by numerous specific record keeping requirements, which are listed in COB Schedule 1.
		SYSC 3.2.6R (Compliance) requires a firm to take reasonable care to establish and maintain effective systems and controls for compliance with applicable regulatory requirements and standards.	There is no reversal of the burden of proof.
CYPRUS	Cyprus Securities and Exchange Commission	Paragraphs 2.2, 2.3 and 3.6 of Annex 1 of the Conditions for Granting an Authorisation to Cypriot Investment Firms, Directive 1/2002	
CZECH REPUBLIC			There is no special regime for "professional clients" of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for "institutional investors" defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.
ESTONIA	The EFSA	SMA § 58. Guideline.	
HUNGARY		See comments for paragraph 1.	
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA	MFSA	SLC 1.09 of Part C1 of the ISG	
POLAND	Parliament for the law  Council of Ministers for the decree	There is a draft of a new Polish Law on Public Trading of Securities prepared which includes a delegation for issuing by Council of Ministers the decree concerning conduct of business rules. The decree will provide inter alia that a brokerage house is obliged to establish internal code of conduct and make some other arrangements facilitating compliance with these rules. There are no drafts of this decree yet.  There is also an obligation of providing the PSEC with all the internal procedures and regulations of the brokerage house as well as with all their changes. (Art.40.2, Art. 48 of the Law on Public Trading of Securities).	Polish Securities and Exchange Commission is responsible for drafting and the Council of Ministers for approving 30 September 2003 draft approved by the Council of Ministers whilst its entry into force envisaged for 1 May 2004.
SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 71	See above
SLOVENIA	SMA	Please see under point 10 of the Retail Regime.	

<b>Standard 9</b>			
<i>The persons responsible for the compliance function must have the necessary expertise, resources, authority and must have full access to all relevant information enabling them to perform their duties. They must perform their monitoring duties independently of all persons and activities subject to their monitoring.</i>			
<b>Country</b>	<b>Implementing Authority(ies)</b>	<b>Implementing Measure<sup>17</sup></b>	<b>Comments</b>
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees proposed by the Minister of Finance CBFA circulars	See St. 8 See especially: nrs 5, 8 and 9 of the CBFA circulars on the compliance function	See St. 7 (professional regime) See especially Art. 27, § 2, L. 2 August 2002
DENMARK			The Ministry of Economic and Business Affairs is the competent Authority for deciding on the further implementation. The Danish Financial Supervisory Authority has approached the Ministry of Economics and Business Affairs in that regard
FINLAND	Parliament Ministry of Finance Rahoitustarkastus	Section 10 and 12 of the Act on Investment Firms Section 10 of the Decree of the Ministry of Finance on the Application for Authorisation of an Investment Firms	General rule, no detailed provisions available yet. The Securities Markets Act sets general rules for both the retail and professional regime. The issuance of more detailed provisions is delegated to the Financial Supervision Authority. See Standard 1 above. The issuance of more detailed provisions as to the general provisions on risk management and more precisely on the requirements to be set on risk management systems and other internal monitoring is delegated to the Financial Supervision Authority by the Act on Investment Services. The Rahoitustarkastus regulations and guidelines are currently under general restructuring and revision. The need for specifying provisions concerning the conduct of business rules is under discussion in that project. In this case that means for example a clearer distinction between the different regimes. The consultation paper is scheduled to be sent out in early 2004.
FRANCE	AMF and CRBF	Articles 2-4-16, 2-4-17, 3-1-4 and 3-1-5 of the GR of the CMF COB Instruction of 17 December 1996 following COB Regulation 96-02 establishes a model application form for authorisation which requires the applicant to describe its internal control procedures (Annex 1, III, 5, a); article 11 of COB Regulation 96-03 defines internal control as including compliance.	The rule is implemented through the GR of the CMF. Similar requirements are contained in the banking regulation on internal control (97-02), and they apply both to banks and investment firms.
GERMANY		See 1	See 1
GREECE		Section 5.3. of the Code of Conduct. According to section 5.3 of the Code of Conduct of Investment Services Firms, the latter are responsible for ensuring that they possess written guidelines and procedures within the firm in order to ensure compliance. These written guidelines to ensure compliance include provisions about the responsible persons' qualifications and obligations to ensure compliance with firms' regulatory framework of operation.	

<sup>17</sup> Any derogation to the application of the implementing measures should be mentioned.

ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	GS&RR, Section 2.5 As at 9, Part A above.	
ITALY	CONSOB BANK OF ITALY	Article 57, paragraph n. 2 of Consob Regulation 11522 <i>(Internal controls)</i> ○○○ Bank of Italy regulation of 4 august 2000 Title III – Supervision; Chapter II - Administrative and accounting procedures and internal control mechanisms  2. Internal Controls. See above rule n. 8.	Consob has already published for consultation a revision of its regulation n. 11522 of 1 July 1998 on investment services in the securities field to require investment firms to disclose conflict of interests to professional clients.
LUXEMBOURG	CSSF	The CSSF will issue by the end of this year a circular regulating the requirements to fulfil by compliance officers.	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	
NORWAY	Parliament	STA, section 9-1 para 1 No. 2 (satisfactory internal control). The requirements set out in rule 9 must be met in order to have an internal control that is deemed "satisfactory" by Kredittilsynet.	
PORTUGAL		CMVM Reg. 12/2000 article 19	
SPAIN	Ministry of Economy / CNMV	CNMV Circular 1/1998, dated June 10, About Internal Control Systems, Monitoring and Assessment of risks. Rule 4 <sup>a</sup> . Control function	
SWEDEN	Finansinspektionen	General guideline on securities business (2002:5), Chap 3 (Provisions on necessary expertise) See A 11	Specific rules concerning the professional regime have not been implemented. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.
UNITED KINGDOM	FSA	SYSC 3.2.7G (Compliance) states that an investment firm's compliance function should be staffed by an appropriate number of competent staff who are sufficiently independent to perform their duties objectively. The compliance function should be adequately resourced and should have unrestricted access to the firm's relevant records.  SYSC 3.2.8R (Compliance) requires an investment firm to allocate to a director or a senior manager the function of having responsibility for the oversight of the firm's compliance.	
CYPRUS	Cyprus Securities and Exchange Commission	Chapter 3 of Annex 1 of the Conditions for Granting an Authorisation to Cypriot Investment Firms, Directive 1/2002	In Cyprus the duties of compliance officer are borne by the firm's internal auditor
CZECH REPUBLIC			There is no special regime for "professional clients" of investment firms in the Czech law. There are only exemptions from the

			general investment firm – client regime for “institutional investors” defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.
ESTONIA	The EFSA	SMA § 83. Guideline. The investment firm’s obligation to maintain sufficient measures to exercise internal control is also provided for in the Rules and Regulations “Membership Rules” p 7.1.	
HUNGARY		See comments for paragraph 1.	
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA	MFSA	Section 3.01 in Part A of the ISG SLC 1.08(h) in Part C1 of the ISG	There is no specific requirement that an Investment Firm is required to provide full access to all relevant information to Compliance Officers to enable them to perform their duties.
POLAND	Council of Ministers for enacting	According to the Decree of the Council of Ministers dated April 15 <sup>th</sup> 2002 on Determining the Technical and Organizational Conditions Required of Certain Entities to Conduct Brokerage Activity and of Banks to Keep Securities Accounts, the brokerage house shall separate in its organizational structure an internal supervision unit and ensure appropriate autonomy of the said unit so as to enable it to discharge its duties properly. Where it is justified by the volume of activity conducted by the brokerage house and where it does not jeopardize the security of trading or interests of participants in trading, internal supervision may be exercised by an independent supervision inspector working alone. A supervision inspector not being a member of the management board shall be subordinate directly to the president of the management board of the brokerage house or, if such president has not been appointed, to the management board of the brokerage house. In the case of a bank conducting brokerage activity, the supervision inspector shall be subordinate directly to the person managing the bank organizational unit which conducts brokerage activities. (Par. 10) There is also a draft of a new Polish Law on Public Trading of Securities prepared under which the above mentioned decree will be changed. The changes will concern inter alia that matter.	Polish Securities and Exchange Commission is responsible for drafting  30 September 2003 draft approved by the Council of Ministers whilst its entry into force envisaged for 1 May 2004
SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 71	Investment firm is obliged to define in its articles of association the relations and interaction between the board of directors, the supervisory board, officers of investment firm and employees responsible for internal audit. Investment firm is obliged to formulate and follow a set of operating rules covering an effective system of internal controls adequate for the type and nature of

			investment services provided. The employee responsible for internal control may not be a member of the board of directors or a member of supervisory board of a investment firm.
SLOVENIA	SMA	It is the duty of management board members as stated above, to organize the operations of investment firm in order to comply with the regulation in force. According to the Decision on personnel, technical and organizational conditions for operations with clients and with assets of clients of investment firm, A: 8, the investment firm must define in its general act in particular... measures for the establishment and functioning of the system of internal controls in all areas of operation of the investment firm.	

<b>Standard 10</b>			
<i>A summary of the results of the monitoring must be reported to the senior management of the investment firm and to the internal or external auditors. The investment firm must report these results, together with remedies adopted, to the competent authority at least once a year.</i>			
<b>Country</b>	<b>Implementing Authority(ies)</b>	<b>Implementing Measure<sup>18</sup></b>	<b>Comments</b>
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees proposed by the Minister of Finance CBFA circulars	See St. 9 See especially: nr. 4 of the CBFA circulars	To come into effect later: Art. 27, § 1 and § 2, L. 2 August 2002. Further implementing measures can be taken on the basis of Art. 28, § 1, 5°, L. 2 August 2002 CBFA may obtain such information during on site inspections and on request. The external auditor yearly reports on the functioning of the compliance function
DENMARK			The Ministry of Economic and Business Affairs is the competent Authority for deciding on the further implementation. The Danish Financial Supervisory Authority has approached the Ministry of Economics and Business Affairs in that regard
FINLAND	Parliament Ministry of Finance Rahoitustarkastus	Section 10, 12, 16 b and 29, Paragraph 3 of the Act on Investment Firms Section 10 of the Decree of the Ministry of Finance on the Application for Authorisation of an Investment Firms	General rule, no detailed provisions available yet. The Securities Markets Act sets general rules for both the retail and professional regime. The issuance of more detailed provisions is delegated to the Financial Supervision Authority. See Standard 1 above. The issuance of more detailed provisions as to the general provisions on risk management and more precisely on the requirements to be set on risk management systems and other internal monitoring is delegated to the Financial Supervision Authority by the Act on Investment Services. The Rahoitustarkastus regulations and guidelines are currently under general restructuring and revision. The need for specifying provisions concerning the conduct of business rules is under discussion in that project. In this case that means for example a clearer distinction between the different regimes. The consultation paper is scheduled to be sent out in early 2004.
FRANCE	AMF	No specific implementing measure identified	This has not been implemented as such. The AMF can sanction

<sup>18</sup> Any derogation to the application of the implementing measures should be mentioned.

			failure to comply with its regulations but the AMF must demonstrate this failure.
GERMANY		See 1	See 1
GREECE		Sections 11.2.( c) and (f) of the Code of Conduct.	
ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	As at 12 Part A above.	
ITALY	CONSOB	<p>Article 57, paragraph n. 4, 5 and 6 of Consob Regulation 11522  <i>(Internal controls)</i>          °°°</p> <p>CONSOB RESOLUTION 14015/2003</p> <p>Provisions concerning requirements for the transmission of data and information and documents and records by authorized intermediaries and stockbrokers</p> <p>Article 2 (Italian investment firms)          ... omissis ...</p> <p><i>g) Annual report on the checks carried out and the annual schedule of planned checks, prepared by the head of the internal control function</i></p> <p>Italian investment firms shall transmit, together with the report referred to at letter b), the report on the checks carried out during the year, the results thereof and any proposals made -- <i>inter alia</i> in the light of an overall assessment of the findings, with account taken of the external auditor's evaluation of the reliability of the internal controls -- and the annual schedule of planned checks referred to in Article 57.6 of Consob Regulation 11522/1998, prepared by the head of the internal control function. Italian investment firms shall attach the comments and decisions of the board of directors and the board of auditors pursuant to Article 57.6 of Consob Regulation 11522/1998.</p> <p><i>h) Half-yearly report of the head of the internal control function concerning the outcome of complaints, any shortcomings found and the proposals for overcoming them</i></p> <p>Italian investment firms shall transmit the half-yearly report of the head of the internal control function describing, for each service performed, the overall situation with regard to the complaints received, any shortcomings found and the proposals for overcoming them in accordance with Article 59.4 of Consob Regulation 11522/1998, within 60 days of the end of each half-year. The report must contain at least the information specified in Annex 10. Italian investment firms shall attach the comments and decisions of the board of directors and the board of auditors pursuant to Article 59.4 of Consob Regulation 11522/1998.</p>	Consob has already published for consultation a revision of its regulation n. 11522 of 1 July 1998 on investment services in the securities field to require investment firms to disclose conflict of interests to professional clients.
LUXEMBOURG	CSSF	As far as other professionals are concerned, the external auditor shall establish a report within the context of his annual audit	

		containing an assessment of the established rules in accordance with this Circular and the compliance herewith. The report must also mention the identity of the member of the management in charge of this area and her/his subsequent replacement.	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	no legislative authority for AFM
NORWAY	Ministry of Finance	Regulation 1997/1057 section 3-2. The regulation only requires that a summary be reported to the senior management (including the board of directors). It is not required that the summary be reported to the competent authority.	
PORTUGAL			Not implemented
SPAIN	Ministry of Economy / CNMV	CNMV Circular 1/1998, dated June 10, about Internal Control Systems, Monitoring and Assessment of risks. Rule 11 <sup>a</sup> . Circular CNMV 5/1990, 28 November.	Reporting to senior management.
SWEDEN	Finansinspektionen	Regulation on Conduct of Business rules (2002:7), Chap 3 Section 2 (reporting to the senior management is implemented, not the other provisions). See A 12	Specific rules concerning the professional regime have not been implemented. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.
UNITED KINGDOM	FSA	SYSC 3.2.7G & 8R (Compliance)  The director or senior manager to whom the function of having responsibility for the oversight of the firm's compliance has been allocated is responsible for reporting to the investment firm's governing body in respect of their oversight of the firm's compliance. The firm's compliance function should have ultimate recourse to its governing body.  SUP 15 (Notifications to the FSA)	A number of ad hoc requirements to notify the FSA of specific matters are imposed under SUP 15. There is no requirement to provide annual reports on compliance monitoring, but firms are to give auditors a right of access to records and documents at all times under SUP 3.6.1.
CYPRUS	Cyprus Securities and Exchange Commission	Paragraphs 3.5, 3.6 and 3.7 of Annex 1 of the Conditions for Granting an Authorisation to Cypriot Investment Firms, Directive 1/2002	
CZECH REPUBLIC			There is no special regime for "professional clients" of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for "institutional investors" defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.

ESTONIA	The EFSA	SMA § 83 (5). Guideline.	
HUNGARY		See comments for paragraph 1.	
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA	MFSA	SLC 1.11 in Part C1 of the ISG	There is no obligation on the Compliance Officer to report the results of its monitoring to internal or external auditors.
POLAND	Council of Ministers for enacting	<p>According to the Decree of the Council of Ministers dated April 15<sup>th</sup> 2002 on Determining the Technical and Organizational Conditions Required of Certain Entities to Conduct Brokerage Activity and of Banks to Keep Securities Accounts, at least once every 3 months, the supervision inspector shall provide the management board and the supervisory board of the brokerage house with a report on the performance of internal supervision functions. In the case of a bank conducting brokerage activity, the supervision inspector shall submit the report to the member of the bank's management board who supervises conducting brokerage activity. (Par. 10.7, Par. 10.8)</p> <p>There is also a draft of a new Polish Law on Public Trading of Securities prepared under which the above mentioned decree will be changed. The changes will concern inter alia that matter.</p> <p>According to the Decree of the Council of Ministers of 22 January 2002 on the Scope, Procedure, Form and Time Limits for the Provision of Information by Certain Entities Which Conduct Brokerage Activity and Keep Securities Accounts, a brokerage house shall provide the PSEC with semi-annual reports on the activity of the brokerage house and on the functioning of internal supervision. The reports on the activity and on the functioning of internal supervision shall be prepared for each half of a calendar year. The report mentioned above should in particular specify the number, subject-matter, place and dates of controls carried on by the internal supervision unit. (Par. 116)</p>	<p>Polish Securities and Exchange Commission is responsible for drafting</p> <p>30 September 2003 draft approved by the Council of Ministers whilst its entry into force envisaged for 1 May 2004</p>
SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 71	The employee responsible for internal control shall notify the supervisory board and FMA, without undue delay, of any detected breach of investment firm's obligations laid down by generally applicable legislation, which may adversely affect the proper operation of the investment firm. The employee responsible for internal control shall submit to FMA, by 31 March of the calendar year, a report on its activities carried out in the previous year, on any measures adopted to correct detected shortcomings in the operation of investment firm, an a plan of its controlling activities for the current calendar year.

SLOVENIA	SMA	Also defined by the Decision stated under 9 above, A: 8	
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Standard 11			
<i>An investment firm must ensure that the competent authority is informed, without undue delay, of serious breaches of the conduct of business rules. In assessing whether the breaches are serious, an investment firm must take into account the impact on regulatory goals and on the capacity to provide services, their frequency, the damages suffered by customers.</i>			
Country	Implementing Authority(ies)	Implementing Measure <sup>19</sup>	Comments
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees proposed by the Minister of Finance	Art. 101, 4°, L. 6 April 1995 Art. 74, § 2 L. 22 March 1993 Art. 36 Market Regulation of 27 December 1995 of the off-exchange market in linear bonds (Securities regulation fund)	To come into effect later: Art. 27, § 1 and § 2, L. 2 August 2002. Further implementing measures can be taken on the basis of Art. 28, § 1, 5°, L. 2 August 2002 Information to the CBFA is indirect via external auditors
DENMARK			The Ministry of Economic and Business Affairs is the competent Authority for deciding on the further implementation. The Danish Financial Supervisory Authority has approached the Ministry of Economics and Business Affairs in that regard
FINLAND	Parliament Rahoitustarkastus	Section 15, Paragraph 2 and Section 4, Point 2 of the Act on Financial Supervision Authority	The Rahoitustarkastus regulations and guidelines are currently under general restructuring and revision. The need for specifying provisions concerning the conduct of business rules is under discussion in that project. The consultation paper is scheduled to be sent out in early 2004.
FRANCE	AMF	No specific implementing measure identified	This has not been implemented but we expect firms to inform us quickly of serious breaches.
GERMANY		See 1	See 1
GREECE		Sections 10.2. (c), (f) and (e) of the Code of Conduct.	
ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	<u>GS&amp;RR, Section 1.2</u> The firm is required to be open and co-operative in its dealings with the Bank and with all other relevant supervisory authorities. , including, but not limited to, an obligation on the firm to notify the Bank, as soon as it becomes aware of, inter alia, any breaches of Conduct of Business Rules, and other governing legislation.-	See HISF, GS&RR, page 2
ITALY	CONSOB	Article 8, paragraph n. 3, 4, 5 and 6, of Legislative decree n. 58/1998 <i>(Reporting requirements)</i>	Consob has already published for consultation a revision of its regulation n. 11522 of 1 July 1998 on investment services in the securities field to require investment firms to disclose conflict of interests to professional clients.
LUXEMBOURG	CSSF	Where a professional becomes aware that a member of his staff has contravened or attempted to contravene a regulation, he shall without delay take an appropriate action according to the seriousness of the offence and, where appropriate on the same basis, notify the CSSF. (principle 7.3. of the circular 2000/15)	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	no legislative authority for AFM
NORWAY	Parliament	STA section 12-2 para 2 (The investment firm must inform	

<sup>19</sup> Any derogation to the application of the implementing measures should be mentioned.

	ANSC	Kreditilsynet of all circumstances that poses a serious risk to the firm, including risk of damage of the firms reputation)	
PORTUGAL		SC art. 317	
SPAIN	Ministry of Economy / CNMV	CNMV Circular 9/1989, dated December 20, about audit of <i>Sociedades de Valores</i> (Broker-dealers) and <i>Agencias de Valores</i> (Dealers). Rule 4 <sup>a</sup> .	Circular 9/1989 states that auditors must inform to the supervisors over the relevant weakness detected in the monitoring of the compliance of the conduct of business rules.
SWEDEN	Finansinspektionen	1) General guidelines on reporting of significant incidents (1999:7) See A 13  2) General guidelines for auditors appointed by Finansinspektionen (1998:5) See A 13	Specific rules concerning the professional regime have not been implemented. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.
UNITED KINGDOM	FSA	Principle 11 (Relations with regulators) provides that an investment firm must deal with its regulators in an open and co-operative way, and must disclose to the FSA appropriately anything relating to the firm of which the FSA would reasonably expect notice.  SUP 15.3.11 & 12 (Breaches of rules and other requirements in or under the Act) SUP 15.3.11 requires a firm to notify the FSA of <i>inter alia</i> a significant breach of any FSA Rule by the firm or any of its directors, officers, employees, tied agents or “approved persons”. SUP 15.3.12 provides that significance should be determined for these purposes having regard to potential financial losses to customers or to the firm, frequency of the breach, implications for the firm’s systems and controls and if there were delays in identifying and rectifying the breach.	SUP 15.3.12 refers to potential financial losses to customers rather than clients, and therefore does not refer to financial losses suffered by MCPs.
CYPRUS	House of Representatives  Cyprus Securities and Exchange Commission and the Central Bank of Cyprus	Section 15(3) of the Investment Firms Laws 2002-2003	This duty will be expressly provided for in the forthcoming amendments to the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003, which are expected to be issued by the end of the first quarter of 2004.
CZECH REPUBLIC			There is no special regime for “professional clients” of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for “institutional investors” defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.
ESTONIA	The EFSA	SMA § 83 (5).	

		Guideline.	
HUNGARY		See comments for paragraph 1.	
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA	MFSA	SLC 1.15 in Part C1 of the ISG	The Investment Firm is required to report a breach of any of its SLCs. The assessment of the seriousness of the breach is then left in the hands of the Competent Authority i.e. the MFSA.
POLAND	Parliament for the law Council of Ministers for the decree	There is a draft of a new Polish Law on Public Trading of Securities prepared which includes a delegation for issuing by Council of Ministers the decree concerning conduct of business rules. The said obligation is going to be one of the established rules mentioned above. There are no drafts of this decree yet.	Polish Securities and Exchange Commission is responsible for drafting and the Council of Ministers for approving 30 September 2003 draft approved by the Council of Ministers whilst its entry into force envisaged for 1 May 2004.
SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 71	Please see answer above.
SLOVENIA	SMA	Please see under point 13 of the Retail Regime.	

Standard 12	<b><i>The compliance function must:</i></b> - <i>regularly verify the adequacy of policies and procedures to ensure compliance with the regulations on investment services;</i> - <i>provide advisory assistance and support to the various business areas of the investment firm on problems concerning compliance with the regulations on investment services.</i>		
<b>Country</b>	<b>Implementing Authority(ies)</b>	<b>Implementing Measure<sup>20</sup></b>	<b>Comments</b>
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees proposed by the Minister of Finance CBFA circulars	Art. 36, § 1, 7° L. 6 April 1995 Art. 62, L. 6 April 1995 Art. 20, L. 22 March 1993 CBFA circulars on the function of compliance: definition of compliance in the CBFA circulars and nrs 1, 2, 3, 6 7	See St. 11
DENMARK			The Ministry of Economic and Business Affairs is the competent Authority for deciding on the further implementation. The Danish Financial Supervisory Authority has approached the Ministry of Economics and Business Affairs in that regard
FINLAND	Parliament Ministry of Finance Rahoitustarkastus	Section 10 and 12 of the Act on Investment Firms Section 10 of the Decree of the Ministry of Finance on the Application for Authorisation of an Investment Firms	General rule, no detailed provisions available yet. The Securities Markets Act sets general rules for both the retail and professional regime. The issuance of more detailed provisions is delegated to the Financial Supervision Authority. See Standard 1 above. The issuance of more detailed provisions as to the general provisions on risk management and more precisely on the requirements to be set on risk management systems and other internal monitoring is delegated to the Financial Supervision Authority by the Act on Investment Services. The Rahoitustarkastus regulations and guidelines are currently under general restructuring and revision. The need for specifying

<sup>20</sup> Any derogation to the application of the implementing measures should be mentioned.

			provisions concerning the conduct of business rules is under discussion in that project. In this case that means for example a clearer distinction between the different regimes. The consultation paper is scheduled to be sent out in early 2004.
FRANCE	AMF	Article 3-1-3 of the RG of the CMF	The first indent has not been explicitly implemented, this results however implicitly but quite clearly from the requirement to report annually to the AMF on compliance. In addition, the banking regulation CRBF 97-02 explicitly requires (article 6) the regular verification of the adequacy of internal control policies and procedures, and this regulation applies to both credit institutions and investment firms.
GERMANY		See 1	See 1
GREECE		Section 10.2. (c ) of the Code of Conduct.	
ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	<u>GS&amp;RR, Section 2.5</u> As at 9, Part A above.	
ITALY	CONSOB BANK OF ITALY	Article 57, paragraph n. 3 of Consob Regulation 11522 <i>(Internal controls)</i> ○○○ Bank of Italy regulation of 4 august 2000 Title III – Supervision; Chapter II - Administrative and accounting procedures and internal control mechanisms  2. Internal Controls. See above rule n. 9 of the retail regime.	
LUXEMBOURG	CSSF	The designated member of the executive management in charge of implementing the policy and rules, oversees the compliance with the rules of conduct. The executive management will organise internal audits so as to verify compliance with the rules of conduct in accordance with circular LMI 98/143 relating to internal audit.	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	
NORWAY	Parliament	STA, section 9-1 para 1 No. 2 (satisfactory intern control). For the internal contol to be satisfactory, the compliance function must cover the aspects mentioned in rule 12. This may be clarified in a circular letter.	
PORTUGAL			Not implemented
SPAIN	Ministry of Economy / CNMV	CNMV Circular 1/1998, dated June 10, About Internal Control Systems, Monitoring and Assessment of risks. Rule 4 <sup>a</sup> .	Circular 1/1998 do not states explicitly that the compliance function must provide advisory assistance and support.
SWEDEN	Finansinspektionen		Specific rules concerning the professional regime have not been implemented. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.

UNITED KINGDOM	FSA	SYSC 3.1.2(2) (Systems and controls) a firm should carry out a regular review of its systems and controls (including the compliance function) to enable it to comply with its obligations to maintain appropriate systems and controls.	The advisory assistance and support role is not expressly included in the description of the responsibilities of the compliance function. However, it is implicit in the general obligation to maintain the compliance function (SYSC 3.2.6R).
CYPRUS	Cyprus Securities and Exchange Commission	Chapter 3 of Annex 1 of the Conditions for Granting an Authorisation to Cypriot Investment Firms, Directive 1/2002	
CZECH REPUBLIC			There is no special regime for “professional clients” of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for “institutional investors” defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.
ESTONIA	The EFSA	SMA § 83 (3). Guideline.	
HUNGARY		See comments for paragraph 1.	
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA	MFSA	Section 3.01 (1) – (4) in Part A of the ISG	The requirements imposed on the Compliance Officer do not specifically require the verification of the adequacy of policies and procedures or the provision of advisory assistance and support to the various business areas of the Investment Firm to ensure compliance with the regulations. However, as can be seen from the adjacent column, the Compliance Officer is required to ensure that all staff of the Investment Firm are familiar with the applicable conditions.
POLAND	Council of Ministers for enacting	According to the Decree of the Council of Ministers dated April 15 <sup>th</sup> 2002 on Determining the Technical and Organizational Conditions Required of Certain Entities to Conduct Brokerage Activity and of Banks to Keep Securities Accounts, the tasks of the internal supervision unit shall include:  1) supervising the flow of confidential information and information constituting professional secrets, and securing access to such information;  2) taking actions preventing employees of the brokerage house from benefiting from confidential information and information constituting professional secrets;  3) supervising the observance of rules of procedure in order to prevent introduction into financial trading of property values coming from illegal or non-disclosed sources;	Polish Securities and Exchange Commission is responsible for drafting

		<p>4) examining the conformity of activity of the brokerage house and actions taken within the framework of such activity by employees of the brokerage house with the provisions of law, internal by-laws of the brokerage house, regulations of the companies operating the exchange and over-the-counter market, regulations of the National Deposit of Securities, Joint-stock Company, regulations of other clearing houses in which the brokerage house is a participant and regulations of the commercial chamber referred to in Article 51 of the Act if the brokerage house is a member of the said chamber;</p> <p>5) conducting regular controls within the scope referred to in items 1-4;</p> <p>6) examining customer complaints and motions. (Par. 10. 2)</p> <p>There is also a draft of a new Polish Law on Public Trading of Securities prepared under which the above mentioned decree will be changed. The changes will concern inter alia that matter.</p>	<p>30 September 2003 draft approved by the Council of Ministers whilst its entry into force envisaged for 1 May 2004.</p>
SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 71	Please see answer to rule 10.
SLOVENIA	SMA	Please see under 14. and 12 of the Retail Regime.	

<b>Standard 13</b>			
<i>An investment firm must keep records relevant for the purpose of demonstrating compliance with the conduct of business rules, for a period of five years in order to enable the competent authority to verify compliance with these rules. Tape recording of orders must be kept for a period of one year.</i>			
<b>Country</b>	<b>Implementing Authority(ies)</b>	<b>Implementing Measure<sup>21</sup></b>	<b>Comments</b>
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees proposed by the Minister of Finance  CBFA circulars	Art. 28-29 Royal Decree on the reporting of transactions in financial instruments and on the keeping of relevant data. Art. 7 Law of 11 January 1993 on the prevention of money laundering Circular to the financial institutions of the CBFA on the prevention of money laundering (3 May 1999) Euronext Rule Book (rule B9203 on voice recording) j° Art. 36, § 1, 3°, L. 6 April 1995	Additional rules may be adopted by Royal Decree on the basis of Art. 26, 17° and 146 L. 2 August 2002 See also: Art. 26, 10°, L. 2 August 2002 (to come into effect later)
DENMARK			The Ministry of Economic and Business Affairs is the competent Authority for deciding on the further implementation. The Danish Financial Supervisory Authority has approached the Ministry of Economics and Business Affairs in that regard
FINLAND	Rahoitustarkastus	Rahoitustarkastus Guideline on Practices to be applied in the Provisions of Investment Services (201.7).	No explicit requirements for tape recording. In practise all the investment firms keep a record of telephone orders on magnetic tape or an equivalent medium. In Finland

<sup>21</sup> Any derogation to the application of the implementing measures should be mentioned.

			approximately 70 % of orders made by non-professional investors are given through the internet service of investment firms. The Rahoitustarkastus regulations and guidelines are currently under general restructuring and revision. The need for specifying provisions concerning the conduct of business rules is under discussion in that project. . In this case that means for example a clearer distinction between the different regimes. The consultation paper is scheduled to be sent out in early 2004.
FRANCE	AMF	Article 7-1-7 of the RG of the CMF and implementing Decisions 99-05 and 99-06	These Decisions provide for keeping of records for either five years (trades) or six months (orders, and specific type of telephone conversations).
GERMANY		See 1	See 1
GREECE		Record-keeping obligations are imposed to investment services firms. More specifically article 8 of Law 2396/96 imposes an obligation of record keeping to investment services firms for a period of five years (see annex).  □he obligation of tape recording of orders for one year period is not provided into the Hellenic Legislation. However, in practice most of the investment services firms are recording their transactions.	
ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	<i>COC, Section 1.7</i> As at 10, Part A above.	
ITALY	CONSOB	Article 56, paragraph n. 2, of Consob Regulation 11522 <i>(Internal procedures)</i>  Article 69, paragraph n. 1 and 2, of Consob Regulation 11522 <i>(Conservation of records and documents)</i>	Consob has already published for consultation a revision of its regulation n. 11522 of 1 July 1998 on investment services in the securities field to require investment firms to disclose conflict of interests to professional clients.
LUXEMBOURG	CSSF	See St. 12	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	
NORWAY	Parliament Ministry of Finance	STA, section 9-1 (4) and Regulation 1996/950 regarding Investment firms compliance with record-keeping. The Ministry of Finance is currently working on a proposal from Kredittilsynet to introduce mandatory tape recording of orders.	
PORTUGAL		SC art 307 and 308	
SPAIN	Ministry of Economy / CNMV	CNMV Circular 3/1993, Dated 29 December, Regarding the Record of Transactions and Order Support Archive. Rule 2.5 "Order Support Archive" and Rule 4 <sup>a</sup> "Keeping the record of transactions and generating computer files".	An investment firm must keep tape recordings for a period of three months. Only in case of a customer claim, the tapes have to be kept as long as the process continues.
SWEDEN	Finansinspektionen	Regulation on Conduct of Business rules (2002:7 Chap 6 Section 10  See A 15	Specific rules concerning the professional regime have not been implemented. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be

			implemented. The final step towards full implementation will start during 2004.
UNITED KINGDOM	FSA	<p>SYSC 3.2.21G states that the general principle is that records should be retained for as long as is relevant for the purposes for which they are made.</p> <p>SYSC 3.2.20R A firm must take reasonable care to make and retain adequate records of matters and dealings that are the subject of requirements and standards under the regulatory system.</p> <p>SYSC Schedule 1: These records must be kept for an adequate period of time.</p> <p>SYSC 3.1.1 &amp; 3.1.2 (Systems and controls)</p> <p>SYSC 3.1.1R requires a firm to take reasonable care to establish and maintain such systems and controls as are appropriate to its business.</p> <p>SYSC 3.1.2 G indicates that one of the factors to be taken into account in determining the nature and extent of the systems and controls a firm will need to maintain under the above rule is the volume and size of its transactions.</p> <p>COB 7.12 (Customer order and execution records) COB 7.12.3R requires a firm to ensure by the maintenance of appropriate procedures that it promptly records adequate information in relation to the receipt and execution of client orders and the execution of own account orders.</p> <p>COB 7.12.11R provides that these records should be retained for at least 3 years.</p>	<p>This general principle is supplemented by specific provisions on the retention of records in relation to the individual record keeping requirements referred to above. The FSA's approach is therefore targeted. The length of the document retention requirements and the date from which the retention requirement is calculated varies depending on the nature of the records in question.</p>
CYPRUS	<p>House of Representatives</p> <p>Cyprus Securities and Exchange Commission and the Central Bank of Cyprus</p> <p>Cyprus Securities and Exchange Commission</p>	<p>Section 36 of the Investment Firms Laws of 2002 – 2003</p> <p>Part IV of Annex 8 of the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003</p> <p>Sections 4(1), 6(1) and 13 of the Directive on Books and Records to be kept by the Cyprus Investment Firms</p>	
CZECH REPUBLIC			<p>There is no special regime for “professional clients” of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for “institutional investors” defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.</p>

ESTONIA	The EFSA	SMA § 90. Guideline. Rules and Regulations “Membership Rules” p 7.8.1: A member of the exchange shall retain the documents that were the basis for providing investment services and making securities transactions for a period of ten years after the provision of the service or performance of the transaction. The exchange also recommends that its members keep, during the same period, recordings of telephone conversations that served as the basis for investment services and securities transactions.	Registered information shall be preserved for at least seven years.
HUNGARY		See comments for paragraph 1.	
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA	MFSA	The following SLCs in Part C1 of the ISG refer: 10.20 10.21 (a) – (d) 10.22	No Condition regarding tape recording of orders is imposed.
POLAND	Council of Ministers for enacting	According to Par. 59 of the Decree of the Council of Ministers dated September the 3 <sup>rd</sup> , 2002, in the matter of the procedures and the conditions to conduct operations for brokerage houses, banks conducting brokerage activities and banks keeping securities accounts, there is an obligations of keeping all the data related to services provided to clients for a period of five years (including tape recording of orders). There is a draft of a new Polish Law on Public Trading of Securities prepared which includes a delegation for issuing by Council of Ministers the decree concerning conduct of business rules. The decree will provide inter alia that a brokerage house is obliged to keep records relevant for the purpose of demonstrating compliance with the conduct of business rules, for a period of five years	Polish Securities and Exchange Commission is responsible for drafting  30 September 2003 draft approved by the Council of Ministers whilst its entry into force envisaged for 1 May 2004.
SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 73	An investment firm must keep records relevant for the purpose of demonstrating compliance with the conduct of business rules for 10 years period of time, not just five years. Tape recording of orders is not obligatory for all transactions.
SLOVENIA	SMA	Please see point 15 of the Retail Regime, part 1.	

<b>Standard 14</b>	<i>An investment firm must keep a register of customer complaints related to the provision of the investment services and the measures taken for their resolution and must regularly verify whether complaints are adequately processed.</i>		
<b>Country</b>	<b>Implementing Authority(ies)</b>	<b>Implementing Measure<sup>22</sup></b>	<b>Comments</b>
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees proposed by the	See St. 7 (professional regime)	Obligation on complaints register is contained in Art. 27, § 2, 4° L. 2 August 2002 (to come into force later)

<sup>22</sup> Any derogation to the application of the implementing measures should be mentioned.

	Minster of Finance		
DENMARK			The Ministry of Economic and Business Affairs is the competent Authority for deciding on the further implementation. The Danish Financial Supervisory Authority has approached the Ministry of Economics and Business Affairs in that regard
FINLAND	Parliament Ministry of Finance Rahoitustarkastus	Section 10 and 12 of the Act on Investment Firms Section 10 of the Decree of the Ministry of Finance on the Application for Authorisation of an Investment Firms	General rule, no detailed provisions available yet. The Securities Markets Act sets general rules for both the retail and professional regime. The issuance of more detailed provisions is delegated to the Financial Supervision Authority. See Standard 1 above. The issuance of more detailed provisions as to the general provisions on risk management and more precisely on the requirements to be set on risk management systems and other internal monitoring is delegated to the Financial Supervision Authority by the Act on Investment Services. The Rahoitustarkastus regulations and guidelines are currently under general restructuring and revision. The need for specifying provisions concerning the conduct of business rules is under discussion in that project. In this case that means for example a clearer distinction between the different regimes. The consultation paper is scheduled to be sent out in early 2004.
FRANCE	AMF	Article 3-1-3 of the RG of the CMF	The first indent has not been explicitly implemented, this results however implicitly but quite clearly from the requirement to report annually to the AMF on compliance. In addition, the banking regulation CRBF 97-02 explicitly requires (article 6) the regular verification of the adequacy of internal control policies and procedures, and this regulation applies to both credit institutions and investment firms.
GERMANY		See 1	See 1
GREECE		Section 7.2. (e) of the Code of Conduct. There is an obligation imposed to investment services firms according to section 7.2. (e) of the Code of Conduct to ensure the existence of procedures and relevant departments within them for the reception of investors' complaints. From this provision the obligation to firms to keep a register of investors' complaints is imposed.	
ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	COC, Sections 19.1, 19.2, 19.3 Section deals with Complaints Procedure Requirements	See HISF, COC, page 22
ITALY	CONSOB	Article 59 of Consob Regulation 11522 <i>(Complaints)</i>	
LUXEMBOURG	CSSF	Pursuant to principle 2.5. of the circular CSSF 2000/15, where a client makes a complaint to the professional regarding a service provided by him, the professional shall deal with such complaint in a appropriate manner and without unreasonable delay commensurate with the nature of the issue, in accordance with circular LMI 95/118.	

NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	
NORWAY		No such provisions	
PORTUGAL		CMVM Reg. 12/2000 – art. 35	No specific rule applies to the monitoring of compliance of these duties of financial intermediaries. There are proceedings of general control for all the duties of financial intermediaries. Issues on investors' complaints are fully provided for in article 35 of CMVM Regulation 12/2000. Within the scope of supervisory actions carried out to financial intermediaries it is evaluated whether the intermediary rules and internal proceedings are indeed complied with or not.
SPAIN	Ministry of Economy / CNMV	Law 44/2002, of 22 November, Implementing Measures that Reform the Financial System. Article 29 “Department of Customer Service and Client Ombudsman “	
SWEDEN	Finansinspektionen	General guidelines on customer’s complaints (2002:23) See A 16	Specific rules concerning the professional regime have not been implemented. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.
UNITED KINGDOM	FSA	DISP 1.5.1R & 1.5.2G (Making and retaining records of complaints) DISP 1.5.1R requires firms to make and retain records of complaints. DISP 1.5.2G indicates that such records should include any correspondence between the firm and the complainant, including details of any redress offered by the firm.	DISC 1.1.7 allows a firm to opt out of the requirements of DISP 1.2 – 1.7 in certain circumstances if it does not conduct business with eligible complainants and has no reasonable prospect of doing so.
		DISP 1.2.1R (Requirement to have internal complaint handling procedures) DISP 1.2.1 requires a firm to have in place and operate appropriate and effective internal complaint handling procedures for handling any expression of dissatisfaction received from or on behalf of complainants.	
		SYSC 3.1.1R and 3.1.2(2)G (Systems and Controls) SYSC 3.1.1R requires a firm to take reasonable care to establish and maintain such systems and controls as are appropriate to its business. SYSC 3.1.2(2)G provides that a firm should carry out a regular rule of its systems and controls to enable it to comply with its obligation to maintain appropriate systems and controls.	
		DISP 1.5.4R (Reporting complaints to the FSA) Firms are required to provide a standard form report to FSA on complaints and complaints-handling twice per year. This report includes details of the time taken to close complaints	
CYPRUS	Cyprus Securities and Exchange Commission	Paragraph 5.2.6 of Annex 1 of the Conditions for Granting an Authorisation to Cypriot Investment Firms, Directive 1/2002	
CZECH REPUBLIC			There is no special regime for “professional clients” of investment

			firms in the Czech law. There are only exemptions from the general investment firm – client regime for “institutional investors” defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.
ESTONIA	The EFSA.	Guideline.	
HUNGARY		See comments for paragraph 1.	
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA	MFSA	SLC 3.07(i) in Part C1 of the ISG Section 4 in Part C1 of the ISG	Although there is no specific requirement stipulating that a firm must regularly verify whether complaints are adequately processed, the procedure stipulated by our guidelines regarding the processing of complaints obliges a firm to deal with complaints within specified time-frames.  Furthermore, in practice, during regular compliance visits conducted at our Licence Holders, checks are made as to whether that Licence Holder is regularly verifying whether complaints are adequately processed. If it is found that this is not the case, the firm is required to process complaints adequately.
POLAND	Council of Ministers for enacting	According to the Decree of the Council of Ministers dated April 15 <sup>th</sup> 2002 on Determining the Technical and Organizational Conditions Required of Certain Entities to Conduct Brokerage Activity and of Banks to Keep Securities Accounts, the brokerage house shall keep a complaints register containing information about all complaints concerning the activity of the brokerage house filed during a given calendar year. The data shall be entered in the complaints register immediately after the complaint is filed. (Par. 12)	Polish Securities and Exchange Commission is responsible for drafting,
SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 73	
SLOVENIA	SMA	Please see point 16 of the Retail Regime, part 1.	Not required by the law, investment firms may have them. Clients report their complaints to the Agency and their complaints are often the reason to start broader supervision over investment firm’s operation.

Standard 15	<p><b><i>An investment firm must establish a code of conduct for members of the board, directors, partners, employees and tied-agents. The code of conduct must contain:</i></b></p> <p><b><i>a) The rules and procedure to meet the obligation to protect data of a confidential nature;</i></b></p> <p><b><i>b) the rules and procedures for carrying out personal transactions involving financial instruments;</i></b></p> <p><b><i>c) the rules and procedures governing the business relationship with customers in order to ensure that the persons referred to above, in particular where a conflict of interest may arise, always act in the best interests of customers, and that such persons do not take advantage of any confidential information;</i></b></p> <p><b><i>d) the investment firm’s policy on conflicts of interest and inducements.</i></b></p>
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Country	Implementing Authority(ies)	Implementing Measure <sup>23</sup>	Comments
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees proposed by the Minister of Finance CBFA circulars	Art. 36, § 1, 7° L. 6 April 1995 Art. 62 L. 2 August 2002	To come into effect later: Art. 27, § 1 L 2 August 2002 Further implementing measures can be taken on the basis of Art. 28, § 1, 5° , L. 2 August 2002
DENMARK			The Ministry of Economic and Business Affairs is the competent Authority for deciding on the further implementation. The Danish Financial Supervisory Authority has approached the Ministry of Economics and Business Affairs in that regard
FINLAND	Parliament Ministry of Finance Rahoitustarkastus	Section 10 , 12 and 16 b of the Act on Investment Firms Section 10 of the Decree of the Ministry of Finance on the Application for Authorisation of an Investment Firms Rahoitustarkastus Guideline on Segregation of Securities Business Functions (201.12). Rahoitustarkastus Standard on Risk Management and other Aspect of Internal Control in Investment Funds (4.1).	The Securities Markets Act sets general rules for both the retail and professional regime. The issuance of more detailed provisions is delegated to the Financial Supervision Authority. See Standard 1 above. The issuance of more detailed provisions as to the general provisions on risk management and more precisely on the requirements to be set on risk management systems and other internal monitoring is delegated to the Financial Supervision Authority by the Act on Investment Services.
FRANCE	AMF	Articles 533-4 and 533-6 of the MFC, Articles 3-1-1, 3-1-3, 3-1-6, 3-1-7, 3-2-2 and following of the GR of the CMF	The items listed are provided for mainly in the GR of the CMF. In addition similar rules for certain items can also be found in the banking regulations.
GERMANY		See 1	See 1
GREECE		Sections 8.4. and 9.2 of the Code of Conduct.	
ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	<u>COC, Sections 14, 16, 17, 20</u> As at 17 & 26, Part A above.	
ITALY	CONSOB	Article 58, paragraph n. 1, 2 and 3 of Consob Regulation 11522 <b><i>(Internal code of conduct)</i></b>	Consob has already published for consultation a revision of its regulation n. 11522 of 1 July 1998 on investment services in the securities field in order: <ul style="list-style-type: none"> <li>• to clarify the specific obligations arising from the general principles laid down in the provisions at present in force and</li> <li>• require that the internal code of conduct contains explicit reference to the firm's policy on conflict of interests and inducements</li> </ul>
LUXEMBOURG	CSSF	According to principle 6 of the circular CSSF 2000/15 the professional shall try to avoid conflicts of interest and when they cannot be avoided, shall ensure that his clients are fairly treated. The professional shall adopt such internal structural measures and procedures as are necessary to guard against conflicts of interests; he shall lay down procedures to guard against acceptance or solicitation by members of his staff of benefits in whatever form which in the light of his business, are such as to give rise, to the	

<sup>23</sup> Any derogation to the application of the implementing measures should be mentioned.

		risk of a conflict of interest with respect to the professional's obligations towards his clients and he shall ensure that, in his business dealings, he does not improperly or unfairly place his business interests ahead those of his client.	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	no legislative authority for AFM
NORWAY	Parliament	STA, section 9-1 para 1 No. 2 and 5, and para 4.	
PORTUGAL		CMVM Regulation n° 12/2000 – art 37 SC art 316	This Rule is set forth in article 316 of the SC, which states that financial intermediaries are required to put in place internal rules that provide for the codes of conduct to be complied with, within the course of their activity. Article 37 of CMVM Regulation 12/2000 defines the minimum content of the said rules.
SPAIN	Ministry of Economy / CNMV	Royal Decree 629/1993, of 3 May, Governing Rules of Action in the Securities Markets and Obligatory Record-Keeping. Article 3 « Internal Rules of Conduct”	
SWEDEN	Finansinspektionen	General guidelines on ethical rules (1998:22) See A 17	Specific rules concerning the professional regime have not been implemented. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.
UNITED KINGDOM	FSA	Principle 1 (Integrity) requires a firm to conduct its business with integrity.	There is no express equivalent to this requirement. Obligations of confidentiality are generally imposed on investment firms under the general legal principles relating to the protection of confidential information.
		Principle 2 (Skill, care and due diligence) requires a firm to conduct its business with due skill, care and diligence.	
		SYSC 3.2.6R (Compliance) requires a firm to take reasonable care to establish and maintain effective systems and controls for compliance with applicable regulatory requirements and standards.	SYSC 3.2.6 R requires a firm to take reasonable care to establish and maintain effective systems and controls for compliance with applicable regulatory requirements and standards.
		APER 2.1.2 (Statements of Principle) Principle 1 and Principle 2 APER 4.1.10E (Statement of principle 1)	In addition, individuals who are subject to the FSA’s approved persons regime are subject to a requirement in APER 2.1.2 to act with integrity and due skill, care and diligence in carrying out their “controlled functions”. APER does not apply to all employees and is a code imposed by the FSA. APER 4.1.10E indicates that deliberately misusing the confidential information will be a breach of this requirement.
		COB 7.13.4R (Restrictions on personal account dealing) and 7.13.7E (Reasonable steps) Firms should ensure that restrictions on personal account dealing are included in a notice that forms part of the contract of employment or contract for services of all person acting as employees or whose services are placed at the disposal of the firm.	Under COB 7.13.4, the rules and procedures concerning personal account dealing are only required as part of the firm’s obligations to take reasonable steps to avoid conflicts with the firm’s duties to its “customers” and therefore not to avoid conflicts with the firm’s duties to MCP’s.
		SYSC 3.2.6R (Compliance) requires a firm to take reasonable care to establish and maintain effective systems and controls for	See the comments on paragraphs 5 and 6 in relation to the FSA requirements concerning conflicts of interest and inducements.

		compliance with applicable regulatory requirements and standards.	There are no express equivalents to these requirements.
CYPRUS	Cyprus Securities and Exchange Commission	Paragraphs 5.2.1, 5.2.3, 5.2.4 and 5.2.5 of Annex 1 of the Conditions for Granting an Authorisation to Cypriot Investment Firms, Directive 1/2002	The Directive does not cover the policy on inducements (item d). This matter will be expressly provided for in the forthcoming amendments to the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003, which are expected to be issued by the end of the first quarter of 2004.
CZECH REPUBLIC			There is no special regime for “professional clients” of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for “institutional investors” defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.
ESTONIA	The EFSA, the operator of stock exchange	The SMA § 82. Guideline. Rules and Regulations “Membership Rules” p 7.2 provides for the investment firm’s obligation to establish internal procedure rules regulating the activities of its executives and employees, which correspond to the specific nature of its business operations and organisational structure and regulate the exchange of information pertaining to securities and securities transactions between its employees and structural units.	
HUNGARY		See comments for paragraph 1.	
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA	MFSA	The following SLCs in Part C1 of the ISG refer: <ul style="list-style-type: none"> <li>a) no such requirement appears to be applicable.</li> <li>b) SLC 3.07(c) – please see details in the reply to St. 7 above. Section 9 in Part C1 of the ISG also refers.</li> <li>c) SLC 3.02(b), SLC 9.05 in Section 9 in Part C1 of the ISG</li> <li>d) SLC 3.02(b) – details above refer. There is no specific condition which requires an Investment Firm to establish a policy regarding inducements. However, there are various SLCs that regulate the payment of charges and commissions – please see reply to St. 6 above.</li> </ul>	No reference is made to tied-agents.
POLAND	Parliament for the law Council of Ministers for the decree	According to Art. 40.2 of The Law on Public Trading of Securities the entity applying for the permit for conducting brokerage activities must provide PSEC with organisational procedure,	Polish Securities and Exchange Commission is responsible for drafting and the Ministry of Finance for approving

		<p>internal control procedure, protecting of confidential information procedure. Every change of those procedures must be notified to PSEC.</p> <p>There is a draft of a new Polish Law on Public Trading of Securities prepared which introduces an obligation for a brokerage house to establish rules and procedures for carrying out personal transactions involving financial instruments by all the employees (including members of the board and the directors). These rules and procedures will be subject to PSEC's approval.</p> <p>There is also a draft of a new Polish Law on Public Trading of Securities prepared which includes a delegation for issuing by Council of Ministers the decree concerning inter alia conflicts of interests. The decree will specifically regulate all the issues related to that matter by providing inter alia an obligation of establishing appropriate procedures.</p>	<p>30 September 2003 draft approved by the Council of Ministers whilst its entry into force envisaged for 1 May 2004.</p>
SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 73	
SLOVENIA	SMA	Please see point 17 of the Retail Regime.	

## 2. INFORMATION TO BE PROVIDED TO CUSTOMERS

Standard 16		<i>An investment firm must pay due regard to the information needs of its customers and communicate information to them that is fair, clear, and not misleading.</i>	
Country	Implementing Authority(ies)	Implementing Measure <sup>24</sup>	Comments
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees	Art. 36, § 1, 5°, L. 6 April 1995 Those (conduct of business) rules are complementary to the general civil law duty of a party to a contract to provide information to the other party prior to the conclusion of a contract	To come into effect later: Art. 26, 3° L. 2 August 2002 Additional rules may be adopted by Royal Decree on the basis of Art. 26, 17° and 146 L. 2 August 2002 According to Art. 28, § 1, 1°, of the L. of 2 August 2002 the King may determine different rules for the application of the provisions of Article 26, according as the investment services are provided to professional investors or to other investors.
DENMARK	Parliament	Section 2, and section 3, in the Marketing Practices Consolidated Act no. 699 of July 17, 2000 as amended by Act no, 428 of 6 June 2002 (The above mentioned rules state that investment firms should provide proper information to customers according to the nature of the investment services offered, including any risks involved. It shall be a legal offence to make use of any false misleading or unreasonably incomplete indication or statement likely to affect the demand for services.)	The Marketing Practices Consolidated Act applies to all kind of services to consumers and not specifically to investors and investment services
FINLAND	Parliament Rahoitustarkastus	Chapter 4, Section 1 and Chapter 2, Section 1 of the Securities Markets Act Rahoitustarkastus Guideline on Procedures to be observed in the	The general provisions of the Securities Markets Act on marketing securities and proper practice in securities business apply to the professional regime as well. However, the Chapter 4, Section 4,

<sup>24</sup> Any derogation to the application of the implementing measures should be mentioned.

		Marketing of Securities (201.2).	Paragraph 2 of the Securities Markets Act states clearly that the duty to notify the customer of information on the investment service and the securities forming the object thereof which may have a material effect on the decision-making of the customer does not apply to an investment firm when the client is a professional investor. Rahoitustarkastus has been in a dialogue with the Ministry of Finance in implementing the CESR standards in this respect. Currently the Ministry of Finance is concentrating on negotiations of the new ISD proposal and is therefore not giving a new project in this sector a preference.
FRANCE	Parliament, AMF	Article 533-4 of the FMC, Articles 3-3-3 and 3-3-5 of the GR of the CMF Articles 19 and 24 of COB Regulation 96-03 (on portfolio management)	The legislative Code uses the current wording of the ISD. The CMF provisions require information to be adapted to the customer profile. Regarding information due to customer although the professional nature of the client has to be taken into account, there is not a specific code of conduct for professional.
GERMANY		See 1	See 1
GREECE		Sections 4.2. (d) (e) and 6.1.1 and 7.2. (a) of the Code of Conduct.	
ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	<u>COC, Section 4.1</u> As at 25, Part A above.	
ITALY	CONSOB	Article 21, paragraph n. 1, a) of Legislative decree n. 58/1998 <i>(General criteria)</i>	Consob has already published for consultation a revision of its regulation n. 11522 of 1 July 1998 on investment services in the securities field to require investment firms to disclose conflict of interests to professional clients.
LUXEMBOURG	CSSF	All information conveyed to the client must be clear, truthful, accurate and complete and presented in language which is comprehensible, in a form which is appropriate and in a manner which reflects the professional's assessment of the knowledge and experience of his client (principle 5.6. of the circular CSSF 2000/15).	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	no legislative authority for AFM
NORWAY	Parliament	STA, section 9-2 para 1 No. 5	
PORTUGAL		SC art. 7 and art. 312/3	
SPAIN	Ministry of Economy/CNMV	LAW 24/1988 SECURITY MARKETS ACT Article 79, e :Title VII of Conduct of Business Rules	
SWEDEN	1) Parliament 2)Finansinspektionen	1) The Securities Business Act (1991:981), Chap 1 Section 7 See A 25 2) Regulation on Conduct of Business Rules (2002:7), Chap 5 Section 1 See A 25	Specific rules concerning the professional regime have not been implemented. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.
UNITED KINGDOM	FSA	Principle 7 (Communications with clients). provides that a firm	PRIN 3.4.1 R modifies the effect of principle 7 where the firm's

		must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.. PRIN 3.4.1 R (Clients and the principles)	client is an MCP, so that it only operates as a requirement that the firm must communicate information to the MCP in a way that is not misleading. The modification of principle 7 by PRIN 3.4.1R does not appear to be consistent with the CESR standards.
CYPRUS	Cyprus Securities and Exchange Commission and the Central Bank of Cyprus	Section 8 and Paragraphs 1 and 2 of Part I of Annex 4 of the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003	Under the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003, this information is provided before the conclusion of an agreement between the Investment Firm and the client, there also being a continuing obligation incumbent upon the firm to inform its customers prior to any significant change in the material circumstances underlying their contractual relationship.
CZECH REPUBLIC			There is no special regime for “professional clients” of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for “institutional investors” defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.
ESTONIA	The EFSA, the operator of stock exchange	SMA § 87. Guideline The Rules and Regulations of Tallinn Stock Exchange “Membership Rules” p 8.8: Any investment advice published by a member of the Exchange must be accurate and truthful.	
HUNGARY	Parliament	Subsection 7 Section 115 of CMA Subsection 1, 3-4 of Section 115 of CMA	All other rules, regulations and comments - which were presented at the presentation of the retail regime - should be applied for the <b>“professional regime”</b> . Investment service providers and commodities brokers shall inform their clients, prior to entering into a contract concerning the services they provide as licensed, on the current prices of investment instruments and/or exchange-traded instruments, on previous changes in such prices, on the marketability of the instruments, on public information, on the risks involved, on the investor protection scheme if any, and shall supply all other information that may be of consequence regarding the conclusion and settlement of the contract. Investment service providers and commodities brokers shall include a clause in their contracts verifying receipt of said notifications and information. Investment service providers and commodities brokers, prior to entering into a contract involving derivative instruments, must investigate whether the offered investment instruments, exchange-traded instruments, transaction type, investment construction is feasible in terms of the client's knowledge of the market and his financial situation with regard to such exposure. When accepting an instruction for futures or option transactions, the investment service provider and the commodities broker shall

			issue a risk assessment statement and shall have it signed by the client in acknowledgement, or obtain some other form of verification from the client. The above provisions <u>do not bind the investment service providers and commodities brokers</u> if their client is a professional investor.
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA	MFSA	SLC 3.03 (g)&(h) in Part C1 of the ISG SLC 3.05 requires that the Investment Firm shall ensure the adequate disclosure of relevant material information to prospective and actual customers in a way which is fair, clear and not misleading. Further details of disclosure are required.	
POLAND	Parliament for the leaw Council of Ministers for the decree	There is a draft of a new Polish Law on Public Trading of Securities prepared which includes a delegation for issuing by Council of Ministers the decree concerning inter alia conduct of business rules. The said obligation is going to be one of the established rules mentioned above.	Polish Securities and Exchange Commission is responsible for drafting and the Council of Ministers for approving 30 September 2003 draft approved by the Council of Ministers whilst its entry into force envisaged for 1 May 2004.
SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 73	An investment firm is obliged to use professional care in the interest of its clients when providing services, to provide the client with important information related to the transaction and advise him of important facts and risks associated with the transaction.
SLOVENIA	SMA	Please see point 25 of the Retail Regime.	

<b>Standard 17</b>			
<b><i>If an investment firm provides information in a marketing communications it must be fair, clear and not misleading.</i></b>			
<b>Country</b>	<b>Implementing Authority(ies)</b>	<b>Implementing Measure<sup>25</sup></b>	<b>Comments</b>
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decree	<ul style="list-style-type: none"> <li>- Art. 36, § 1, 5°, L. 6 April 1995</li> <li>- Art. 18, § 4, L. 22 April 2003 on public offerings</li> <li>- Art. 18 and 19 RD of 5 August 1991 on portfolio management</li> <li>- Art. 22, § 1 RD of 4 March 1991 on certain undertakings for collective investment and circular ICB/1/93 of 20 July 1993</li> <li>- Art. 5, 6 and 9 of the Market Regulation of the off-exchange regulated market in government bonds</li> </ul>	To come into effect later : Art. 26, 3° L. 2 August 2002 Changes in legislation possible when implementing the Distance Marketing Directive, the UCITS-directives and the ISD2.
DENMARK	Parliament  Ministry of Economic and Business Affairs	Section 2, in the Marketing Practices Consolidated Act no. 699 of July 17, 2000 as amended by Act no, 428 of 6 June 2002 Financial Business Act, section 3  Executive order on Conduct of Business section 3 (The above mentioned rules state that investment firms should act honestly and fairly towards customers. It shall be a legal offence to make use of any false misleading or unreasonably incomplete indication or statement likely to affect the demand for services.)	

<sup>25</sup> Any derogation to the application of the implementing measures should be mentioned.

FINLAND	Parliament Rahoitustarkastus	Chapter 2, Section 1 and Chapter 4, Section 1 of the Securities Markets Act Rahoitustarkastus Guideline on Procedures to be observed in the Marketing of Securities (201.2).	
FRANCE	Parliament/AMF	Misleading Advertising Act Article 24 of COB Regulation 96-03 on portfolio management Article 341-11 of the	This Act applies to all forms of advertising, including the marketing of financial services and investment services. We have not implemented specific rules for financial advertising in general. The new statutory provisions on solicitation include however a standard on the quality of information provided to the potential customer (article 50 of the Financial Security Act of 1 August 2003, consolidated into article 341-11 of the MFC).
GERMANY		See 1	See 1
GREECE		Section 4.4. of the Code of Conduct.	
ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	<u>AR, Section 1.3</u> As at 29, Part A above.	
ITALY	CONSOB	Article 21, paragraph n. 1, a) of Legislative decree n. 58/1998 <b>(General criteria)</b>  See also the information provided for in connection with rule 29 of the retail regime	Consob has already published for consultation a revision of its regulation n. 11522 of 1 July 1998 on investment services in the securities field to require investment firms to disclose conflict of interests to professional clients.
LUXEMBOURG	CSSF	See 17	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	
NORWAY	Parliament	The Marketing Control Act section 2	
PORTUGAL		SC art. 7 and art. 312/3	
SPAIN	Ministry of Economy/CNMV	LAW 24/1988 SECURITY MARKETS ACT Article 94 Art. 3 of Royal decree 629/1993 and the law on publicity and advertising.	
SWEDEN	Parliament	The Marketing Act (1995:940) See A 29	Specific rules concerning the professional regime have not been implemented. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.
UNITED KINGDOM	FSA	Principle 7 (Communications with clients). COB 2.1.3R (clear, fair and not misleading communications).	Generally, a firm must take reasonable steps to communicate in a way that is clear, fair and not misleading. While COB 2.1.3R does not apply where the firm's client is a market counterparty, principle 7 (modified as discussed in the comments on paragraph 16) would apply in such a case. COB 3 generally does not apply to communications with professional investors because COB 3.2.4 & 5R (1) provides that most of COB 3 will not apply where a communication is only made to MCPs or intermediate customers. However, COB 3.8.4R (1) will still apply.

CYPRUS	Cyprus Securities and Exchange Commission and the Central Bank of Cyprus	Section 6 and Paragraph 1 of Part II of Annex 2 of the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003	
CZECH REPUBLIC			There is no special regime for “professional clients” of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for “institutional investors” defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.
ESTONIA	The EFSA	Guideline	
HUNGARY	Parliament	It is forbidden to publish misleading advertisements. Subsection 1 of Section 7 of Act LVIII of 1997 on Business Advertising Activity	<i>Misleading advertising:</i> means any advertising which in any way, including its presentation, deceives or is likely to deceive the persons to whom it is addressed or whom it reaches and which, for reason of its deceptive nature, is likely to affect their economic behaviour or which, for those reasons, injures or is likely to injure a competitor who is engaged in the same or similar activities. (Point n) of Section 2 of Act LVIII of 1997 on Business Advertising Activity)
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA	MFSA	The following SLCs in Part C1 of the ISG refer: 5.06 5.07	
POLAND	Parliament for the law Council of Ministers for the decree	There is a draft of a new Polish Law on Public Trading of Securities prepared which includes a delegation for issuing by Council of Ministers the decree concerning inter alia conduct of business rules. The said obligation is going to be one of the established rules mentioned above.	Polish Securities and Exchange Commission is responsible for drafting and the Council of Ministers for approving 30 September 2003 draft approved by the Council of Ministers whilst its entry into force envisaged for 1 May 2004.
SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 73	An investment firm is obliged in promoting its financial services, to refrain from using untrue or misleading information from withholding important information and from offering benefits which it cannot guarantee.
SLOVENIA	SMA	Please see point 29 of the Retail Regime.	

<b>Standard 18</b>	<b><i>An investment firm must ensure that a customer is provided promptly with the essential information concerning the execution of his order.</i></b>		
<b>Country</b>	<b>Implementing Authority(ies)</b>	<b>Implementing Measure<sup>26</sup></b>	<b>Comments</b>
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal	Art. 36, § 1, 2° and 38, paragraph 3, L. 6 April 1995	Art. 26, 10° and 13°, L. 2 August 2002 (to come into force later)

<sup>26</sup> Any derogation to the application of the implementing measures should be mentioned.

	Decree	Art. 9, § 2, Market regulations regulated market for government bonds	According to Art. 28, § 1, 1°, of the L. of 2 August 2002 the King may determine different rules for the application of the provisions of Article 26, according as the investment services are provided to professional investors or to other investors.
DENMARK			The Ministry of Economic and Business Affairs is the competent Authority for deciding on the further implementation. The Danish Financial Supervisory Authority has approached the Ministry of Economics and Business Affairs in that regard
FINLAND	Rahoitustarkastus	Rahoitustarkastus Guideline on Practices to be applied in the Provisions of Investment Services (201.7).	
FRANCE	AMF	Article 3-3-8 of the GR of the CMF and article 3 of Decision 98-28 of the CMF	The first provision requires the custodian to inform the client of all transactions effected; the second requires the customer agreement to provide that the information will be sent to him in less than 24 hours
GERMANY		See 1	See 1
GREECE		Sections 4.2. (d) (e) and 9.1. of the Code of Conduct.	
ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	<u>COC, Section 11</u> As at 26, Part A above.	
ITALY	CONSOB	Article 31 paragraph n. 1, of Consob Regulation 11522 <i>(Relationships between intermediaries and special categories of investor)</i> ○○○ Article 61, paragraph n. 1 and 2 of Consob Regulation 11522 <i>(Information on transactions)</i>	Consob has already published for consultation a revision of its regulation n. 11522 of 1 July 1998 on investment services in the securities field to provide a specific provision requiring investment firms to provide professional clients with information concerning the execution of their orders. Still professional clients can opt, already at present, for the level of protection afforded to retail customers.
LUXEMBOURG	CSSF	The professional shall forward to the client all confirmations and other information regarding transactions performed and the effective state of affairs of the portfolio without undue delay and at reasonable intervals according to the nature of the investments concerned (principle 5.9. of the circular CSSF 2000/15).	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	
NORWAY	Parliament ANSC	STA, section 11-4 (obligation to send contract note) Gen. Business Terms Article 9	
PORTUGAL		SC art. 323/a	
SPAIN	Ministry of Economy/CNMV of	Royal Decree 629/1993, of 3 May, governing rules of action in the Securities Markets and Obligatory Record-Keeping. Article 16 "Information to clients regarding transactions which have been performed" Annex "General Code of Conduct for the Securities Markets" Article 5 "Information to clients" Ministerial Order, dated 25 October 1995, Implementing Royal Decree 629/1993. Section Five "Information on transactions". Article 9 "Rules"	
SWEDEN	Finansinspektionen	Regulation on Conduct of Business Rules (2002:7), Chap 11 See A 55	Specific rules concerning the professional regime have not been implemented. Finansinspektionen follows a timetable for gradual implementation

			of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.
UNITED KINGDOM	FSA	COB 8.1.3R (Requirement to confirm a transaction) requires a firm that executes a sale or purchase of a financial instrument with or for a customer to promptly dispatch a written confirmation of the essential details of the transaction to the customer. COB 8.1.3R allows the information to be provided to the customer's agent. COB 8.1.3R does not apply where the client is an MCP.	There is scope for derogation from the requirement but on the basis that we believe sufficient protection is in place. COB 8.1.6R provides, inter alia, that the requirement in COB 8.1.3R does not apply: (2) in relation to saving schemes for regulated CISs and investment trusts; or (3) & (4) if the firm has agreed with the customer that individual confirmations are not required, provided the information is included in the periodic statement. In the case of an investment manager, it is only necessary to take reasonable steps to determine that separate confirmations are not required in relation to non-contingent liability financial instruments.
CYPRUS	Cyprus Securities and Exchange Commission and the Central Bank of Cyprus	Section 18(1)(ib) and paragraph 1 of Part V of Annex 8 of the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003	
CZECH REPUBLIC			There is no special regime for "professional clients" of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for "institutional investors" defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.
ESTONIA	The EFSA, the operator of stock exchange	Guideline The Rules and Regulations of Tallinn Stock Exchange "Membership Rules" p 8.4.5: A member of the exchange shall send a transaction confirmation to a client whose transaction order it undertook to perform within 5 trading days after the value date of the transaction. The transaction confirmation must contain the data and follow the format established by the exchange. If the transaction was not performed, the member must inform the client thereof not later than 5 working days after the expiry of the transaction order. If the member does not undertake to perform the client order, it must inform the client immediately thereof.	According to the Guideline the essential information must be provided promptly.
HUNGARY	Parliament	Subsection (3) of Section 117 of the CMA	Subsection (3) of Section 117 of the CMA states that "Investment service providers and commodities brokers shall forthwith notify their clients ... concerning any transaction they have concluded/executed on their behalf".
LATVIA			See Standard 1.

LITHUANIA			See Standard 1.
MALTA	MFSA	The following SLCs in Part C1 of the ISG refer: 3.05(i) 8.06	
POLAND	Council of Ministers for enacting	According to the Decree of the Council of Ministers dated September the 3 <sup>rd</sup> , 2002, in the matter of the procedures and the conditions to conduct operations for brokerage houses, banks conducting brokerage activities and banks keeping securities accounts, the brokerage house is obliged to deliver to the client a confirmation of a contract in a way described in the brokerage house's regulations. (Par. 3.3.13) There is a draft of a new Polish Law on Public Trading of Securities prepared which includes a delegation for issuing by Council of Ministers the decree concerning conduct of business rules. The decree will provide inter alia that a brokerage house is obliged to provide the customer promptly with the essential information concerning the execution of his order.	Polish Securities and Exchange Commission is responsible for drafting  30 September 2003 draft approved by the Council of Ministers whilst its entry into force envisaged for 1 May 2004.
SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 73	An investment firm is obliged report to the client without undue delay any transactions concluded on his behalf.
SLOVENIA	SMA	Please see point 55 of the Retail Regime.	As already noted it is a practice that professional investors communicate with investment firm more frequently and are able to promptly find out about the execution of their orders, any changes in market condition..., mostly through phone or electronic communication.

<b>Standard 19</b>	<i>Where an investment firm has control of, or is holding assets belonging to a customer, it must arrange for proper identification and regular confirmation of such assets to the customer.</i>		
<b>Country</b>	<b>Implementing Authority(ies)</b>	<b>Implementing Measure<sup>27</sup></b>	<b>Comments</b>
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees proposed by the Minister of Finance CBFA circulars	Prudential rules (Laws of 22 March 1993 and 6 April 1995) (see CBFA circulars of 18 December 1991 to the securities houses on securities accounting, of 30 January 2001 on supervision of deposits by securities houses and of 10 July 2002 on clearing on Euronext) RD 23 January 1991 on government debt securities	Additional rules may be adopted by Royal Decree on the basis of Art. 26, 17° and 146 L. 2 August 2002 According to Art. 28, § 1, 1°, of the L. of 2 August 2002 the King may determine different rules for the application of the provisions of Article 26, according as the investment services are provided to professional investors or to other investors. Note that the present powers of the Securities Regulation Fund in respect of holders of account holders of dematerialised debt instruments will be shifted to the CBFA)
DENMARK	The Ministry of Economic and Business Affairs	The abovementioned rule states that assets belonging to investors should be segregated immediately. Segregated assets should be identified on a daily basis. Furthermore the rule in detail regulates which measures the investment firm should implement in order to comply with the requirements on segregation.	

<sup>27</sup> Any derogation to the application of the implementing measures should be mentioned.

FINLAND	Rahoitustarkastus Parliament	Rahoitustarkastus Regulation on Customer Funds (201.13). Chapter 4, Section 5 a of the Securities Markets Act	No precise provisions on proper identification and regularity. The Rahoitustarkastus regulations and guidelines are currently under general restructuring and revision. The need for specifying provisions concerning the conduct of business rules is under discussion in that project. The consultation paper is scheduled to be sent out in early 2004.
FRANCE	AMF	Article 6-3-4 of the GR of the CMF	This provision requires custodians to issue to any account holder upon request an attestation specifying the nature and number of financial instruments held in his account, and to send to all account holders such a statement at least on a yearly basis.
GERMANY		See 1	See 1
GREECE		Section 4.3. of the Code of Conduct.	
ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	Client Money Requirements imposed under Section 52 of the Investment Intermediaries Act, 1995 and the Stock Exchange Act, 1995.	
ITALY	CONSOB	<p><b>Article 21, paragraph n. 1, of Legislative decree n. 58/1998</b> <i>(General criteria)</i> See above rule 56 of the retail regime</p> <p><b>Article 22 of Legislative decree 58/1998</b> <i>(Segregation of assets)</i> See above rule 56 of the retail regime ○○○</p> <p><b>Article 31 paragraph n. 1, of Consob Regulation 11522</b> <i>(Relationships between intermediaries and special categories of investor)</i></p> <p><b>Article 56, paragraph n. 2 of Consob Regulation 11522</b> <i>(Internal procedures)</i> See above rule 56 of the retail regime</p> <p><b>Article 62, paragraph n. 1 and 2 of Consob Regulation 11522</b> <i>(Periodic reports)</i> ○○○</p> <p><b>Resolution adopted by the Bank of Italy on July 1, 1998 on deposit and sub-deposit of clients' funds and financial instruments</b></p>	Consob has already published for consultation a revision of its regulation n. 11522 of 1 July 1998 on investment services in the securities field to introduce a specific provision requiring investment firms to regularly confirm the assets to their professional clients. Still professional clients can opt, already at present, for the level of protection afforded to retail customers.
LUXEMBOURG	CSSF	The principle 5.9. of the circular CSSF 2000/15 requires that the professional shall forward to the client all confirmations and other information regarding transactions performed and the effective state of affairs of the portfolio without undue delay and at reasonable interest as according to the nature of the investments concerned. See also 56	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	
NORWAY	Parliament	STA, section 9-1(3)	

PORTUGAL		SC article 306/1 and 307	
SPAIN	Ministry of Economy/CNMV	Ministerial Order, dated 25 October 1995, Implementing Royal Decree 629/1993. Section Five “Information on transactions”. Article 9 “Rules”	
SWEDEN	Finansinspektionen	Regulation on Conduct of Business rules (2002:7), Chap 5 Section 5 See A56	Specific rules concerning the professional regime have not been implemented. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.
UNITED KINGDOM	FSA	COB 9.1 (Client assets) COB 9.1 contains detailed provisions concerning the obligations of a firm to safeguard and administer its clients’ financial instruments. These include requirements on: <ul style="list-style-type: none"> <li>• the segregation of client assets from proprietary assets in the firm’s records;</li> <li>• the registration and recording of dematerialised or immobilised financial instruments and the holding of certificates relating to financial instruments;</li> <li>• the assessment and terms of appointment of subcustodians;</li> <li>• the provision of statements to the client (or its nominated representative) in writing, as often as necessary or as often as agreed with the client, but in any event at least annually; and</li> <li>• the performance of reconciliations between the records of the firm with the record of any other person that holds financial instruments for which the firm is accountable.</li> </ul>	This CESR provision appears to go beyond safeguarding and administration of financial instruments (the activity that triggers COB 9.1). It also applies to firms that have “control” of customer assets. Control would appear to envisage the circumstances covered by COB 9.2 (Mandates). However, the FSA rules do not impose “identification” requirements along the lines of Paragraph 19 merely because a firm has “control” over assets. It is common for a client to directly appoint a custodian and to provide its investment manager with a mandate to control those assets for trading purposes. In such a case the manager’s “confirmation” requirement would be covered by COB 8.2.11E (unless the client is an MCP, in which case this provision will not apply). <ul style="list-style-type: none"> <li>•</li> </ul>
CYPRUS	Cyprus Securities and Exchange Commission and the Central Bank of Cyprus	Paragraph 3 of Part V of Annex 8 of the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003	
CZECH REPUBLIC			There is no special regime for “professional clients” of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for “institutional investors” defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.
ESTONIA	The EFSA	SMA § 88 (5); 87 p 5. Guideline.	
HUNGARY		See comments for paragraph 16.	
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA	MFSA	In terms of SLC 3.05 in Part C1 of the ISG, the Investment Firm	

		<p>is required to report to customers, at least once every six months, on Clients' Money and Customers' Assets held on their behalf;</p> <p>Furthermore, SLC 8.02 and 8.03 stipulate periodic reporting requirements on Investment Firms in cases where the latter is managing portfolios of clients.</p> <p>In addition, condition 7.01 which requires a Licence Holder to accept responsibility for all Customers' Assets which are in its possession or control. The Licence Holder shall ensure that in respect of all assets belonging to customers, including Instruments and documents evidencing title to Instruments, adequate arrangements are maintained to ensure that they are properly recorded, identified, segregated and controlled, so that they and the customers' interests in them are safeguarded.</p>	
POLAND	Council of Ministers and Parliament for enacting	According to the Decree of the Council of Ministers dated September the 3 <sup>rd</sup> , 2002, in the matter of the procedures and the conditions to conduct operations for brokerage houses, banks conducting brokerage activities and banks keeping securities accounts, the brokerage house is obliged to keep the proper separation of assets belonging to it's customers, which means that they have to be kept on a separate accounts (from accounts on which firm's assets are being kept). (Par. 15, Par. 17)	Polish Securities and Exchange Commission is responsible for drafting
SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 73	An investment firm is obliged to keep money and securities entrusted by clients in bank accounts and owners accounts separately from bank accounts and owners accounts in which it keeps money and securities constituting its asset.
SLOVENIA	SMA	Please see point 56 of the Retail Regime.	

<b>Standard 20</b>			
<i>An investment firm that operates customer accounts, which include uncovered open positions, must provide regular statements of such positions.</i>			
<b>Country</b>	<b>Implementing Authority(ies)</b>	<b>Implementing Measure<sup>28</sup></b>	<b>Comments</b>
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees proposed by the Minister of Finance	RD 5 August 1991 on portfolio management and CBFA circular to financial institutions of 14 August 1992 See also: Art. 3.4.2.4. Clearnet Rule Book (contractual provisions applicable to Belgian clearing members of Clearnet)	See St. 19
DENMARK			The Ministry of Economic and Business Affairs is the competent Authority for deciding on the further implementation. The Danish Financial Supervisory Authority has approached the Ministry of Economics and Business Affairs in that regard
FINLAND	Rahoitustarkastus	No provisions available	The Rahoitustarkastus regulations and guidelines are currently

<sup>28</sup> Any derogation to the application of the implementing measures should be mentioned.

			under general restructuring and revision. The need for specifying provisions concerning the conduct of business rules is under discussion in that project. The consultation paper is scheduled to be sent out in early 2004.
FRANCE	AMF	Article 23 of COB Regulation 96-03 (on portfolio management)	This COB provision requires a monthly report where the client portfolio contains "open leveraged positions" but these are not defined in the same way as in the CESR paper. No such provision exists where the client himself decides to take the open positions.
GERMANY		See 1	See 1
GREECE		Sections 4.2 (d) and (e) of the Code of Conduct and the Decision of the HCMC with No 6160/96	
ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	<u>COC, Section 2</u> As at 26, Part A above.	
ITALY	CONSOB	Article 31 paragraph n. 1, of Consob Regulation 11522 <i>(Relationships between intermediaries and special categories of investor)</i> ○○○ Article 28, paragraph n. 3 of Consob Regulation 11522 <i>(Communication of information between intermediaries and investors)</i>  Article 62, paragraph n. 1 and 2 of Consob Regulation 11522 <i>(Periodic reports)</i>  See above rule 19.	Consob has already published for consultation a revision of its regulation n. 11522 of 1 July 1998 on investment services in the securities field to introduce a specific provision requiring investment firms to provide their professional clients with regular statements on uncovered positions. Still professional clients can opt, already at present, for the level of protection afforded to retail customers.
LUXEMBOURG		No specific rules	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	
NORWAY	Parliament	No such provision	
PORTUGAL		article 41 of CMVM Regulation 12/2000	
SPAIN	Ministry of Economy/CNMV	Ministerial Order, dated 25 October 1995, Implementing Royal Decree 629/1993. Section Five "Information on transactions". Article 9 "Rules"	
SWEDEN	Finansinspektionen		Specific rules concerning the professional regime have not been implemented. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.
UNITED KINGDOM	FSA	COB 8.2 (Periodic statements) provides that where a firm operates a customer's account containing uncovered open positions in contingent liability investments, it should supply the customer with a regular statement on a timely basis, providing information on the value	An intermediate customer may ask not to receive a periodic statement. A firm need not send the statement if it has taken reasonable steps to establish that the intermediate customer does not wish to receive it. Under COB 8.2 the requirements concerning open positions only apply where they are in a contingent liability

		and composition of the customer's portfolio. COB 8.2.1R, 8.2.4R and 8.2.6R.	investment. However, the CESR obligations also cover short selling of cash instruments and investments (which are not covered by the FSA Rules because they do not involve contingent liability investments.) COB 8.2 does not apply where the client is an MCP.
CYPRUS	Cyprus Securities and Exchange Commission and the Central Bank of Cyprus	Section 19(3) of the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003	
CZECH REPUBLIC			There is no special regime for “professional clients” of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for “institutional investors” defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.
ESTONIA	The EFSA	Guideline.	
HUNGARY			
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA	MFSA	See St. 19	No difference is made between covered or uncovered positions as far as reporting of position to clients is concerned.
POLAND	Council of Ministers for enacting	According to the Decree of the Council of Ministers dated September the 3 <sup>rd</sup> , 2002, in the matter of the procedures and the conditions to conduct operations for brokerage houses, banks conducting brokerage activities and banks keeping securities accounts, the brokerage house keeping such accounts must determine by its regulations the method of making a call, by the brokerage house, to supplement the margin up to the level specified in the contract or in separate provisions, or the procedure for notifying the customer of the need to supplement the margin and the method of notification by the brokerage house of the need to meet obligation arising out of position taken on derivative rights or the procedure for the customer to obtain information about the need to meet that obligation. (Par. 4.2.12) There is a draft of a new Polish Law on Public Trading of Securities prepared which includes a delegation for issuing by Council of Ministers the decree concerning inter alia conduct of business rules. The said obligation is going to be one of the expressly established rules.	Polish Securities and Exchange Commission is responsible for drafting  30 September 2003 draft approved by the Council of Ministers whilst its entry into force envisaged for 1 May 2004.
SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 73	A client's assets entrusted to an investment firm with the purpose of executing instructions of a client or for portfolio management are not a component of asset of the investment firm. An investment firm may not use entrusted finances and investment instruments of clients for its own benefit or for the benefit of third parties.

SLOVENIA		Not implemented.	
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### 3. THE “KNOW-YOUR-CUSTOMER STANDARD” AND THE DUTY TO CARE

Standard 21	<i>Prior to providing any investment service to a customer for the first time and throughout the business relationship, an investment firm must be in possession of adequate documentation of the identity of the customer, as well as the identity and legal capacity of any representative of the customer. In addition, prior to providing any investment service the investment firm must seek to obtain from the customer information enabling an investment firm a) to determine whether the investment services envisaged are appropriate for the customer and b) to meet any duties owing to the customer in respect of the services to be provided.</i>		
Country	Implementing Authority(ies)	Implementing Measure <sup>29</sup>	Comments
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees proposed by the Minister of Finance CBFA circulars	Law of 11 January 1993 on the prevention of money laundering Circular to the financial institutions of the CBFA on the prevention of money laundering (3 May 1999) and the uniform letter to credit institutions of 5 February 2003 relating to the compliance function See also the CBFA circular to financial institutions of 5 May 2000 on prudential requirements for internet financial services (nr 23) Art. 36, § 1, 4°, L. 6 April 1995 Civil law requirements for professional intermediaries	Changes in law of 11.1.93 planned to implement the Basle KYC-paper, the revised FATF Recommendations and the second Money Laundering Directive Art. 26, 2°, L. 2 August 2002 (to come into force later) See also CBFA Consultation document on revised rules for portfolio management
DENMARK	Parliament	Consolidated Act on Measures to prevent Money Laundering and Financial Terrorism section 4, par. 1, and section 6. Securities Trading, ect Consolidated Act, section 38, par 1. Financial Business Act, section 3a, par. 1, no 5. (The above mentioned rules states that investment firms must be in possession of information of adequate documentation on the identity of the customer, as well as the identity and legal capacity of any representative of the customer. Furthermore the investment firm must seek from customers information regarding their financial position, investment experience and objectives as regards the execution of the services requested.)	
FINLAND	Parliament APVY/Rahoitustarkastus	Chapter 4, Sections 1 and 3a of the Securities Markets Act. Section 49 of the Act on Investment Firms Ministry of the Interior Decree Relating to Section 14 of the Act on Preventing and Clearing Money Laundering APVY (the association of investment firms) Definition of Professional Investor states that despite of the professional status of a particular customer, an investment firm is always required to act in the best interest of the customer for example by providing the customer with adequate and essential information if an investment firm finds it necessary or if the customer so requests.	Chapter 4, Section 4, Paragraph 2 of the Securities Markets Act does not require an investment firm to notify the customer of the information on investment service and the securities forming an object thereof when the customer is a professional investor. The issuance of grounds on which a customer of an investment firm can be deemed to be a professional investor has been delegated to the association of investment firms and Rahoitustarkastus in the Act on Securities Markets Act in a way that the former proposes and the latter confirms such a grounds. APVY (the association of investment firm) has issued and Rahoitustarkastus has confirmed a published document called "Definition of Professional Investor". Rahoitustarkastus has been in a dialogue with the Ministry of

<sup>29</sup> Any derogation to the application of the implementing measures should be mentioned.

			Finance in implementing the CESR standards in this respect. Currently the Ministry of Finance is concentrating on negotiations of the new ISD proposal and is therefore not giving a new project in this sector a preference.
FRANCE	Parliament, AMF	Article 533-4 of the MFC and articles 3-3-2 and 3-3-5 of the GR of the CMF Article 19 of COB Regulation 96-03	The wording of the both the law and the CMF provisions largely reflect the current wording of the ISD but the CMF provisions require in addition verification of the identity and capacity of the client as well as verification of the identity and capacity of the client's representatives. The CMF also requires verification of the identity of the person on whose behalf the client acts "where relevant". The COB regulations also use ISD wording, adding however that "the services provided must be adapted to the situation of the client".
GERMANY		See 1	See 1
GREECE		Section 6.2. of the Code of Conduct.	
ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	<u>COC, Section 5</u> As at 62, Part A above.	
ITALY	CONSOB	Decree Law 143 of 3 May 1991 Urgent provisions to limit the use of cash and bearer instruments in transactions and prevent the use of the financial system for purposes of money laundering (ratified with amendments by Law 197 of 5 July 1991 and subsequently amended by Legislative Decree 153 of 26 May 1997 Legislative decree n. 143/1991. See above rule 64 of the retail regime  Article 31 paragraph n. 1, of Consob Regulation 11522 <i>(Relationships between intermediaries and special categories of investor)</i>  ○○○  Article 28, paragraph n. 1 and 2 of Consob Regulation 11522 <i>(Communication of information between intermediaries and investors)</i>  ○○○  Article 29, paragraph n. 1 and 2 of Consob Regulation 11522 <i>(Unsuitable transactions)</i>	Consob has already published for consultation a revision of its regulation n. 11522 of 1 July 1998 on investment services in the securities field to introduce a specific provision requiring investment firms to request information from professional clients in order to evaluate the suitability of the services provided. Still professional clients can opt, already at present, for the level of protection afforded to retail customers.
LUXEMBOURG	CSSF	Principle 4 of the circular CSSF 2000/15 states that the professional shall seek from his client's information regarding their financial situation, investment experience and objectives as regards the services requested. More specifically, principle 4.1 foresees that upon entering into a business relationship, the professional shall ensure that he obtains from the client information regarding the client's identity, personal or business address, legal status, legal capacity and any restrictions of occupational or professional nature.	
NETHERLANDS	Ministry of Finance or AFM:	uncertain: depending on outcome of deliberations with ministry of	no legislative authority for AFM

	deliberations are pending	finance	
NORWAY	Parliament ANSC	STA, section 9-2 para 1 No. 2 and 4. Ethical Norms, article 4-1	
PORTUGAL		SC article 304/1 and 3	
SPAIN	Ministry of Economy/CNMV	Royal Decree 629/1993, of 3 May, Governing Rules of Action in the Securities Markets and Obligatory Record-Keeping. Annex "General Code of Conduct for the securities markets". Article 4 "Information about clients". Ministerial Order, dated 25 October 1995, Implementing Royal Decree 629/1993. Section Five "Information on transactions". Rule 10 " Identification of clients".	
SWEDEN	1) Parliament 2) Finansinspektionen	1) The Securities Business Act (1991:981), Chap 1 Section 7. See A 62  2) Regulation on Conduct of Business Rules (2002:7), Chap 4 See A 62	Specific rules concerning the professional regime have not been implemented. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.
UNITED KINGDOM	FSA		The United Kingdom legal and regulatory regime treats the identification of clients and their representatives as an aspect of the provisions dealing with anti-money laundering ("AML") measures. See the comments above in relation to CESR Rule 64 of the Conduct of Business Rules For The Retail Regime for more detail on these requirements.
		Principle 9 (Customers: Relationship of Trust) states that a firm must take reasonable care to ensure the suitability of its advice and discretionary decisions for any customer who is entitled to rely upon its judgement.	Principle 9 only applies in relation to the provision of advice or the making of discretionary decisions. Paragraph 21 applies when any investment service is provided. Principle 9 does not apply if the client is an MCP.
CYPRUS	Cyprus Securities and Exchange Commission and the Central Bank of Cyprus	Paragraph 1 of Annex 5 of the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003	
CZECH REPUBLIC			There is no special regime for "professional clients" of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for "institutional investors" defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.
ESTONIA	The EFSA	The SMA § 87 p 1. Guideline. The Money Laundering Prevention Act § 6 (3): Credit and financial institutions (incl. investment firms) are required to identify all persons for whom an account is opened, and representatives of	

		such persons.	
HUNGARY	Parliament	Section 3 of Act XV of 2003 on the Prevention and Impeding of Money Laundering; and Section 116 of CMA	See comments for paragraph 62. In case the customer is a financial service provider providing financial services in the Hungarian Republic (professional), the investment service provider does not need to identify the financial service provider itself (however the representative must still be identified). Investment service providers can only take orders from foreign undertakings, if they qualify as financial service providers and they identify their costumer.
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA	MFSA	The following SLCs in Part C1 of the ISG refer: 3.02(a) 3.04  The Prevention of Money Laundering Guidance Notes ('PMLGN') also requires identification of clients, specifying also the type of documentation that need to be obtained by Investment Firms in ascertaining the identity of the client. Part D, regulations 1, 2, 4, 5, 6, 7 and 8 of the PMLGN refer.  As far as ensuring suitability of investments to prospective clients, the following SLCs in Part C1 of the ISG refer:  3.03(c) – (f), and 3.05 (g)  See also 3.03(a),(b), (g) – (j) of Part C1 of the ISG	In the case of a corporate customer, the investment firm is required to verify the existence of the company by for example obtaining a copy of its constitutional documents. Moreover, it is required to verify that the individual acting on behalf of the company is properly authorised by the Board of Directors. In the case of a private individual customer, an authenticated copy of an identification document is required.
POLAND	Parliament for the law Council of Ministers for the decree	There is a draft of a new Polish Law on Public Trading of Securities prepared which includes a delegation for issuing by Council of Ministers the decree concerning inter alia conduct of business rules. The decree is going to expressly establish such an obligation and specify the scope of provided information. According to existing law, there is an obligation to possess by a brokerage house information concerning potential customer's financial standing if envisaged services include services related to derivatives and services related to the possibility of placing the customer in debit with this brokerage house. (Par. 6.4, Par. 33).	Polish Securities and Exchange Commission is responsible for drafting and the Council of Ministers for approving 30 September 2003 draft approved by the Council of Ministers whilst its entry into force envisaged for 1 May 2004.
SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 73	In each transaction an investment firm shall require the client to document its identity; the client shall be required to comply with the request in each transaction An investment firm shall decline any transaction in which the client remains anonymous.
SLOVENIA	SMA	Please see point 62 of the Retail Regime.	Again, in practice investment firm that deals with professional client does usually not need so much information on the client before executing the transaction.

Standard 22			
<i>When an investment firm provides investment advice to the customer, it must have reasonable grounds to believe, in light of the information disclosed to it by the customer and the information available to it, including the information from the customer relationship, that this investment advice is suitable for him.</i>			
Country	Implementing Authority(ies)	Implementing Measure <sup>30</sup>	Comments
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees proposed by the Minister of Finance	Art. 36, § 1, 2° and 79, L. 6 April 1995	CBFA Consultation document on revised rules for portfolio management New rules can be enacted on the basis of Art. 146 L. 2 August 2002
DENMARK			The Ministry of Economic and Business Affairs is the competent Authority for deciding on the further implementation. The Danish Financial Supervisory Authority has approached the Ministry of Economics and Business Affairs in that regard
FINLAND	Parliament APVY/Rahoitustarkastus	APVY (the association of investment firms) Definition of Professional Investor states that despite of the professional status of a particular customer, an investment firm is always required to act in the best interest of the customer for example by providing the customer with adequate and essential information if an investment firm finds it necessary or if the customer so requests.	Chapter 4, Section 4, Paragraph 2 of the Securities Markets Act does not require an investment firm to notify the customer of the information on investment service and the securities forming an object thereof when the customer is a professional investor. The issuance of grounds on which a customer of an investment firm can be deemed to be a professional investor has been delegated to the association of investment firms and Rahoitustarkastus in the Act on Securities Markets Act in a way that the former proposes and the latter confirms such a grounds. APVY (the association of investment firm) has issued and Rahoitustarkastus has confirmed a published document called "Definition of Professional Investor". Rahoitustarkastus has been in a dialogue with the Ministry of Finance in implementing the CESR standards in this respect. Currently the Ministry of Finance is concentrating on negotiations of the new ISD proposal and is therefore not giving a new project in this sector a preference.
FRANCE			
GERMANY		See 1	See 1
GREECE		Section 6.1. of the Code of Conduct.	
ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	<u>COC, Section 6</u> As at 73, Part A above.	
ITALY	CONSOB	Article 31 paragraph n. 1, of Consob Regulation 11522 <i>(Relationships between intermediaries and special categories of investor)</i> ○○○ Article 29, paragraph n. 1 and 2 of Consob Regulation 11522 <i>(Unsuitable transactions)</i> ○○○	Consob has already published for consultation a revision of its regulation n. 11522 of 1 July 1998 on investment services in the securities field which implements this specific provision.. Still professional clients can opt, already at present, for the level of protection afforded to retail customers.

<sup>30</sup> Any derogation to the application of the implementing measures should be mentioned.

LUXEMBOURG	CSSF	The professional shall make such enquiries of his client as he considers necessary to ensure an appropriate service tailored to the client's circumstances. Such enquiries shall deal with the client's financial position, investment objectives (long-term/short term, regular income requirement or none, risk profile), investment experience and expertise (principle 4.2. of the circular CSSF 2000/15). By combination with the principle 1.2. stating that the professional shall do his utmost to see that the orders are executed on the best terms, in the light of such factors as particular client request, the conditions prevailing in the market(s) concerned and the purpose of the orders received, the investment advice given by an investment firm shall be suitable for its client.	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	no legislative authority for AFM
NORWAY	Parliament	STA, section 9-2	
PORTUGAL		SC art 304 and 312/3	The CMVM's supervisory practice ensures that the financial intermediary complies with the requirements of this Rule.
SPAIN		Art. 79 Securities Market Act; although this duty is not specifically established.	
SWEDEN	Finansinspektionen		See A 72 Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.
UNITED KINGDOM	FSA		See the comments in relation to paragraph 21 above.
CYPRUS	Cyprus Securities and Exchange Commission and the Central Bank of Cyprus	Paragraph 3 of Annex 12 of the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003	
CZECH REPUBLIC			There is no special regime for "professional clients" of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for "institutional investors" defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.
ESTONIA	The EFSA, the operator of stock exchange	Guideline. TSE Rules and Regulations "Membership rules" p 8.8.2: Among all other options, the advice given by a member of the exchange to a client shall correspond best to the interests of the client, in view of the needs and goals of the client as known to the member.	
HUNGARY	Parliament	Subsection 1, 3-4 of Section 115 of CMA Subsection 7 Section 115 of CMA	Investment service providers and commodities brokers shall inform their clients, prior to entering into a contract concerning

			<p>the services they provide as licensed, on the current prices of investment instruments and/or exchange-traded instruments, on previous changes in such prices, on the marketability of the instruments, on public information, on the risks involved, on the investor protection scheme if any, and shall supply all other information that may be of consequence regarding the conclusion and settlement of the contract. Investment service providers and commodities brokers shall include a clause in their contracts verifying receipt of said notifications and information.</p> <p>Investment service providers and commodities brokers, prior to entering into a contract involving derivative instruments, must investigate whether the offered investment instruments, exchange-traded instruments, transaction type, investment construction is feasible in terms of the client's knowledge of the market and his financial situation with regard to such exposure.</p> <p>When accepting an instruction for futures or option transactions, the investment service provider and the commodities broker shall issue a risk assessment statement and shall have it signed by the client in acknowledgement, or obtain some other form of verification from the client.</p> <p>The above provisions <u>do not bind the investment service providers and commodities brokers if their client is a professional investor</u>. Also see comments for paragraph 72 at the 'retail part'.</p>
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA	MFSA	See SLCs 3.02(a), 3.03(c-e) and 3.04 above.	
POLAND	Parliament for the law Council of Ministers for the decree	There is a draft of a new Polish Law on Public Trading of Securities prepared which includes a delegation for issuing by Council of Ministers the decree concerning inter alia conduct of business rules. The decree is going to expressly establish such obligations.	Polish Securities and Exchange Commission is responsible for drafting and the Council of Ministers for approving 30 September 2003 draft approved by the Council of Ministers whilst its entry into force envisaged for 1 May 2004.
SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 73	See above.
SLOVENIA	SMA	Please see point 72 of the Retail Regime.	

#### 4. CUSTOMER AGREEMENTS

<b>Standard 23</b>	<i>Prior to providing any investment service, an investment firm must enter into a signed written agreement with the customer setting out the rights and obligations of the parties.</i>		
<b>Country</b>	<b>Implementing Authority(ies)</b>	<b>Implementing Measure<sup>31</sup></b>	<b>Comments</b>
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees proposed by the	RD 25 November 1991 on foreign exchange and deposit broking (art. 7)	Further measures can be taken on the basis of Art. 26, 17° and 146 L. 2 August 2002

<sup>31</sup> Any derogation to the application of the implementing measures should be mentioned.

	Minster of Finance		According to Art. 28, § 1, 1°, of the L. of 2 August 2002 the King may determine different rules for the application of the provisions of Article 26, according as the investment services are provided to professional investors or to other investors
DENMARK			The Ministry of Economic and Business Affairs is the competent Authority for deciding on the further implementation. The Danish Financial Supervisory Authority has approached the Ministry of Economics and Business Affairs in that regard
FINLAND	Parliament	No provisions available	Securities Markets Act Chapter 4, Section 2, Paragraph 1 states that the liability to conclude a contract in writing shall not apply to an investment firm when the investment service is provided to a professional investor. Rahoitustarkastus has been in a dialogue with the Ministry of Finance in implementing the CESR standards in this respect. Currently the Ministry of Finance is concentrating on negotiations of the new ISD proposal and is therefore not giving a new project in this sector a preference.
FRANCE	AMF	Article 533-10 of the MCF Article 2-4-12 and 2-4-13 of the RG of the CMF. Article 11 of COB Regulation.	Those articles do not establish a distinction according to the professional quality of the client. However, financial institutions are not obliged to conclude a written contract.
GERMANY		See I	See I
GREECE		Section 7.2. (c) of the Code of Conduct.	
ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	<u>COC, Section 2</u> As at 26, Part A above.	
ITALY	CONSOB	Article 31 paragraph n. 1, of Consob Regulation 11522 <i>(Relationships between intermediaries and special categories of investor)</i> °°° Article 23, paragraph n. 1, of Legislative decree n. 58/1998 <i>(Contracts)</i> °°° Article 30, of Consob Regulation 11522 <i>(Contracts with investors)</i> 1. Authorized intermediaries may not supply investment services except on the basis of a contract in writing; a copy of the contract shall be given to the investor. 2. The contract with the investor must: (...) See above rule n. 78 of the retail regime.	Consob has already published for consultation a revision of its regulation n. 11522 of 1 July 1998 on investment services in the securities field to extend to all investment firms the requirement to enter into written contracts which at present applies only to portfolio management service. Still professional clients can opt, already at present, for the level of protection afforded to retail customers.
LUXEMBOURG	CSSF	The professional shall ensure that client transactions are executed on the basis of clearly-defined contractual provisions (principle 1.1. of the circular CSSF 2000/15). Thus, a signed written agreement with the customer setting out the rights and obligations of the parties is required.	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	
NORWAY	Parliament	STA section 11-2 (minimum requirements regarding the firm's	

		commercial terms). It is sufficient that the commercial terms are sent to the customer, it is not required that the commercial terms are signed by both parties to the contract.	
PORTUGAL			Not implemented
SPAIN	Ministry of Economy/CNMV	Royal Decree 629/1993, of 3 May, Governing Rules of Action in the Securities Markets and Obligatory Record-Keeping. Article 14 “Standard contracts” and article 15 “Delivery of contractual documentation”. Ministerial Order, dated 25 October 1995, Implementing Royal Decree 629/1993. Section Five “Information on transactions”. Rule 7 “Delivery of contractual documentation” and Rule 8 “Standard contract”.	
SWEDEN	Finansinspektionen		Specific rules concerning the professional regime have not been implemented. As a general no rules on customer agreements are implemented in regulation and general guidelines. The Swedish Securities Dealers Association has issued a Standard Agreement, used by most of its members. This Standard agreement contains most of the provisions in part 4 of the CESR-Standards. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004..
UNITED KINGDOM	FSA	Principle 7 (Communications with clients). provides that a firm must pay due regard to the information needs of its clients, and communicate information to them in a way which is clear, fair and not misleading.. PRIN 3.4.1 R (Clients and the principles)	PRIN 3.4.1 R modifies the effect of principle 7 where the firm’s client is an MCP, so that it only operates as a requirement that the firm must communicate information to the MCP in a way that is not misleading.
		COB 4.2.5 (Requirement to provide terms of business to a customer) COB 4.2.10 (Adequate detail in terms of business) COB 4.2.15 (Contents of terms of business – general). MAR 3.4.10 (guidance on Clarity of role for business between market-counter-parties)	The requirement to enter into a two-way customer agreement is restricted to business done with private customers. We nevertheless regard <i>terms of business</i> as evidencing (where this is appropriate) a contractual relationship between the firm and the customer. Firms find it difficult to ensure that customers return a signed copy of an agreement. Firms would face criticism from customers were they to delay in transacting business whilst they awaited a signed copy. This comment applies with particular force to inter-professional business
CYPRUS	Cyprus Securities and Exchange Commission and the Central Bank of Cyprus	Section 17(1) of the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003	
CZECH REPUBLIC			There is no special regime for “professional clients” of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for “institutional investors” defined in Sect. 5 (1) of the Czech Securities

			Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.
ESTONIA	The EFSA, the operator of stock exchange	Guideline. TSE Rules and Regulations “Membership Rules” p 8.2.4: Any relationships between a member of the exchange and its clients arising from the provision of investment services shall be regulated by written agreements.	
HUNGARY	Parliament	Subsection 1, 3-4 of Section 115 of CMA  Subsection 7 Section 115 of CMA	Investment service providers and commodities brokers shall inform their clients, prior to entering into a contract concerning the services they provide as licensed, on the current prices of investment instruments and/or exchange-traded instruments, on previous changes in such prices, on the marketability of the instruments, on public information, on the risks involved, on the investor protection scheme if any, and shall supply all other information that may be of consequence regarding the conclusion and settlement of the contract. Investment service providers and commodities brokers shall include a clause in their contracts verifying receipt of said notifications and information.  Investment service providers and commodities brokers, prior to entering into a contract involving derivative instruments, must investigate whether the offered investment instruments, exchange-traded instruments, transaction type, investment construction is feasible in terms of the client's knowledge of the market and his financial situation with regard to such exposure.  When accepting an instruction for futures or option transactions, the investment service provider and the commodities broker shall issue a risk assessment statement and shall have it signed by the client in acknowledgement, or obtain some other form of verification from the client.  <u>The above provisions do not bind the investment service providers and commodities brokers if their client is a professional investor.</u>  Section 115 is mainly relevant concerning information to be provided to the customer prior to entering into a contract. However to give this information the parties have to enter into a contract, which is explicitly stated in Section 115. Subsection (7) of Section 115 only exempts from giving the necessary information to the professional investor prior to entering into a contract but it does not exempt from the obligation to enter into a contract.
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA	MFSA	In terms of SLC 3.06 in part C1 of the ISG, an Investment Firm shall conduct its business with each customer by means of a written agreement which shall set out the basis on which its	Customer agreements are not required in certain instances as specified in adjacent column.

		<p>services are to be provided. The agreement shall be written in clear and plain language. The agreement shall not remove from the customer any rights which he would have had if the agreement had not existed. Unless the agreement specifies to the contrary, the customer will be deemed to be a Private Customer. Where the agreement states that the customer is not to be treated as a Private Customer the agreement shall also state that the level of protection afforded to the customer is lower than that offered to a Private Customer.</p> <p>However, no customer agreement is required for:-</p> <ul style="list-style-type: none"> <li>i. the issue of any tip sheet, broker's circular or other investment publication;</li> <li>ii. a contract entered into by the Manager of a Collective Investment Scheme as Principal to sell or purchase units in that Scheme;</li> <li>iii. advising on, dealing as Representative on, and arranging transactions in units in a Collective Investment Scheme or in an LLTCI where the customer's requirements are reasonably believed by the Licence Holder to be confined to Collective Investment Scheme units or an LLTCI, as long as there is no element of discretionary management by the Investment Firm; and</li> <li>iv. deals effected or arranged on behalf of execution-only customer (where the customer is reasonably believed not to be relying on the Investment Firm to advise him to or exercise any judgement on his behalf as to the transaction's suitability); Provided that the Investment Firm obtains the customer's written confirmation outlining the services being sought from the Investment Firm.</li> <li>v. SLC 3.06 also specifies the contents of the Customer Agreement.</li> </ul>	
POLAND	Council of Ministers and Parliament for enacting	<p>According to existing law there always must be signed an agreement between brokerage house and its client, which establish all the rights and obligations of its sides. This rule is also expressed in the Decree of the Council of Ministers dated September the 3<sup>rd</sup>, 2002, in the matter of the procedures and the conditions to conduct operations for brokerage houses, banks conducting brokerage activities and banks keeping securities accounts. The mentioned above agreement must be concluded in a written or electronic form. (Art. 34 and Art. 7a The Law on Public Trading of Securities).</p> <p>There are also some specific restrictions concerning the scope of brokerage house's regulations being the part of an agreement with the client, established in the Decree of the Council of Ministers dated September the 3<sup>rd</sup>, 2002, in the matter of the procedures and the conditions to conduct operations for brokerage houses, banks conducting brokerage activities and banks keeping securities accounts. (Par. 3, Par. 4, Par. 5, Par. 6, Par. 7)</p>	Polish Securities and Exchange Commission is responsible for drafting,

SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 73	
SLOVENIA	SMA	Please see point 78 and 80 of the Retail Regime.	For all relations defined by a contract between a client and investment firm the Contract law apply.

## 5.- DEALING REQUIREMENTS

### 5.1) RECEPTION AND TRANSMISSION OF CUSTOMER ORDERS

Standard 24			
<i>An investment firm must record and process customer orders in accordance with the customer's instructions and in such a way as to facilitate best execution.</i>			
Country	Implementing Authority(ies)	Implementing Measure <sup>32</sup>	Comments
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees proposed by the Minister of Finance	Art. 36, § 1, 2° and § 3 and Art. 37, 38, and 62, , L. 6 April 1995 Art. 6 Market regulation of the regulated market for government bonds	Art. 26, 1°, 8° and 10°, and 27, § 1, 4° , L. 2 August 2002 (to come into force later) Further measures can be taken on the basis of Art. 26, 17° , Art. 28, § 1, 5° and 146 L. 2 August 2002 According to Art. 28, § 1, 1°, of the L. of 2 August 2002 the King may determine different rules for the application of the provisions of Article 26, according as the investment services are provided to professional investors or to other investors
DENMARK	The Ministry of Economic and Business Affairs Danish Financial Supervisory Authority	Executive order on Good Securities Trading Practices, section 5. Guidance on Executive order on Good Securities Trading Practices, section 5. (The above mentioned rule states that investment firms should handle orders in a way to facilitate best execution and in accordance with the customer's instructions.)	
FINLAND	Parliament Rahoitustarkastus	Chapter 4, Section 4, Paragraph 1 and Section 2, Paragraph 4 of the Securities Markets Act. Rahoitustarkastus Guideline on Practices to be applied in the Provisions of Investment Services (201.7).	
FRANCE	AMF	Article 3-3-1 of the GR of the CMF	This provision requires order execution to be performed in such a way as to ensure best execution and the respect of client requests. The general obligation is also implicit in the more specific obligations discussed below.
GERMANY		See 1	See 1
GREECE		Sections 5.1. and 9.1. of the Code of Conduct.	
ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	COC, Section 15 As at 97, Part A above.	
ITALY	CONSOB	Article 21, paragraph n. 1,a) of Legislative decree n. 58/1998 <i>(General criteria)</i> ○○○	Consob has already published for consultation a revision of its regulation n. 11522 of 1 July 1998 on investment services in the securities field to clarify the specific obligations arising from the

<sup>32</sup> Any derogation to the application of the implementing measures should be mentioned.

		Article 26, paragraph n.1 of Consob Regulation 11522 <i>(General rules of conduct)</i> ○○○ Article 33, paragraph n.1 of Consob Regulation 11522 <i>(Reception and transmission of orders)</i>	general principles laid down in the provisions at present in force.
LUXEMBOURG	CSSF	As according to principle 2.2. of the circular CSSF 2000/15 the professional shall act with diligence with respect to the services provided by him and execute transactions in accordance with the rules, custom and practice prevailing in the market, an investment firm complies with principle 24.	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	
NORWAY	Parliament	STA, section 9-2 para 1 No. 4 (execute orders with due care and dispatch) and section 9-2 para 4 (the customer is to be given the best price given the market data available to the firm)	
PORTUGAL		SC article 330	.
SPAIN	Ministry of Economy/CNMV	Royal Decree 629/1993, of 3 May, Governing Rules of Action in the Securities Markets and Obligatory Record-Keeping. Article 6 "Record of Transactions" Annex "General Code of Conduct for the securities markets". Article 2 "Care and diligence".	
SWEDEN	Finansinspektionen		Specific rules concerning the professional regime have not been implemented. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.
UNITED KINGDOM	FSA	The modules relating to Systems and controls (SYSC) and Conduct of business (COB) cover this standard. Record keeping provisions are in both SYSC and COB. Processing and execution of orders are covered, in particular, by COB 7.4 (Customer order priority), COB 7.5 (Best execution), COB 7.6 (Timely execution), COB 7.7 (Aggregation and allocation), COB 7.12 (Customer order and execution records). The above-mentioned requirements do not apply where the client is an MCP.	Intermediate customers can opt out of the requirement for the firm to provide best execution.
CYPRUS	Cyprus Securities and Exchange Commission and the Central Bank of Cyprus	Paragraph 2 of Annex 3 and paragraphs 1 and 2 of Part I of Annex 8 of the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003	
CZECH REPUBLIC			There is no special regime for "professional clients" of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for "institutional investors" defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec.

			25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.
ESTONIA	The EFSA, the operator of stock exchange	Guideline. TSE Rules and Regulations “Membership Rules” p 8.2.4: Any relationships between a member of the exchange and its clients arising from the provision of investment services shall be regulated by written agreements.	
HUNGARY	Parliament	Section 108 and Subsection 1, 3-4 of Section 115 of CMA Subsection 7 Section 115 of CMA	<p>- Investment service providers and commodities brokers shall develop and operate an organization, and shall adopt operating, procedural and recording systems, featuring a construction consistent with the nature of the activities and with the risks inherent in them, and having sufficient facilities to minimize the possibility of any danger of conflicts of interest between the investment service provider or the commodities broker and their clients, or among clients, to the detriment of clients;</p> <p>- investment service providers and commodities brokers shall inform their clients, prior to entering into a contract concerning the services they provide as licensed, on the current prices of investment instruments and/or exchange-traded instruments, on previous changes in such prices, on the marketability of the instruments, on public information, on the risks involved, on the investor protection scheme if any, and shall supply all other information that may be of consequence regarding the conclusion and settlement of the contract,</p> <p>- investment service providers and commodities brokers, prior to entering into a contract involving derivative instruments, must investigate whether the offered investment instruments, exchange-traded instruments, transaction type, investment construction is feasible in terms of the client's knowledge of the market and his financial situation with regard to such exposure.</p> <p>- When accepting an instruction for futures or option transactions, the investment service provider and the commodities broker shall issue a risk assessment statement and shall have it signed by the client in acknowledgement, or obtain some other form of verification from the client.</p> <p>The provisions of the last three indents of the above column <u>do not bind investment service providers and commodities brokers</u> if their client is a professional investor.</p> <p>All other rules, regulations and comments - which were presented at the presentation of the retail regime - should be applied for the <b>“professional regime”</b>.</p>
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA	MFSA	The following SLCs in part C1 of the ISG refer:	

		3.03 (c) (b) (j)	
POLAND	Parliament for the law Council of Ministers for the decree	There is a draft of a new Polish Law on Public Trading of Securities prepared which includes a delegation for issuing by Council of Ministers the decree concerning inter alia conduct of business rules. The decree is going to expressly establish such obligations.	Polish Securities and Exchange Commission is responsible for drafting and the Council of Ministers for approving 30 September 2003 draft approved by the Council of Ministers whilst its entry into force envisaged for 1 May 2004.
SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 73	Investment firm is obliged to use professional care in interest of its client when providing services and may not give preference to trading for his own account.
SLOVENIA	SMA	Please see point 91 of the Retail Regime.	

Country	Implementing Authority(ies)	Implementing Measure <sup>33</sup>	Comments
<b>Standard 25</b> <i>An investment firm must ensure that the firm and its members of the board, directors, partners, employees and tied-agents do not use the information they possess on customers orders to the disadvantage of customers' interest.</i>			
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees proposed by the Minister of Finance	Art. 36, § 1, 2° and 6°, L. 6 April 1995 See also: the prohibition of front running provided for in the Euronext Rule Book, rule B-2301 j° Art. 36, § 1, 3°, L. 6 April 1995	Art. 26, 1° and 4° and 27, § 1, 1° L 2 August 2002 (to come into force later) Further measures can be taken on the basis of Art. 26, 17°, 27, § 1, 5°, and 146 L. 2 August 2002
DENMARK	The Ministry of Economic and Business Affairs	Executive order on Conduct of Business, section 19. (The above mentioned rule states that investment firms should seek to avoid conflicts of interest and when they cannot be avoided ensure that customers are treated fairly.)	Section 19 regulates conflicts of interest in general terms.
FINLAND	Parliament Rahoitustarkastus	Chapter 4, Section 4, Paragraph 3 of the Securities Markets Act. Section 16 b of the Act on Investment Firms Rahoitustarkastus Guideline on Segregation of Securities Business Functions (201.12). Rahoitustarkastus Standard on Risk Management and other Aspect of Internal Control in Investment Funds (4.1).	
FRANCE	AMF	Articles 3-4-8 and 3-2-1 of the GR of the CMF	Though the wording of the first provision mentioned is very different, the general meaning is the same. This provision only refers explicitly to the firm itself, and to transmitting orders “to the market”, but article 3-1-1 states that all of the provisions of Title 3 of the GR apply to the firm and to all persons working for the firm. The second provision mentioned requires the firm to remind employees that the misuse of confidential information is illegal.
GERMANY		See 1	See 1
GREECE		Sections 8.1., 8.3. (b0 and 10 (g) of the Code of Conduct.	
ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	<u>COC, Section 14</u> As at 17, Part A above.	
ITALY	CONSOB	Article 21, paragraph n. 1,a) of Legislative decree n. 58/1998 <i>(General criteria)</i> ○○○	Consob has already published for consultation a revision of its regulation n. 11522 of 1 July 1998 on investment services in the securities field to clarify the specific obligations arising from the

<sup>33</sup> Any derogation to the application of the implementing measures should be mentioned.

		<p>Article 26, paragraph n.1 of Consob Regulation 11522 <i>(General rules of conduct)</i></p> <p>Article 33, paragraph n.1 of Consob Regulation 11522 <i>(Reception and transmission of orders)</i></p> <p>Article 58, paragraph n. 1, a) and b) of Consob Regulation 11522 <i>(Internal code of conduct)</i></p>	general principles laid down in the provisions at present in force
LUXEMBOURG	CSSF	According to principle 6.1. of the circular CSSF 2000/15, the shall adopt internal structural measures and procedures to guard against conflicts of interest and enforce a strict segregation of functional or business units and avoid unnecessary circulation of information liable to give rise to conflicts of interest. Thus, an investment firm shall install internal procedures in order to comply with principle 25.	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	
NORWAY	Parliament	STA, section 9-8 (duty of confidentiality) section 2a-a para 3 and section 9-3 para 1 (prohibition on front-running).	
PORTUGAL		SC article 304/5	
SPAIN	Parliament /Ministry of Economy/CNMV	Art. 79 Securities Market Act, Royal Decree 629/1993, of 3 May, Governing Rules of Action in the Securities Markets and Obligatory Record-Keeping. Annex "General Code of Conduct for the securities markets". Article 1 "Impartiality and good faith" Article 4.2 "Information about clients".	
SWEDEN	Finansinspektionen		Specific rules concerning the professional regime have not been implemented. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.
UNITED KINGDOM	FSA	<p>Principle 1 (Integrity)</p> <p>Principle 8 (Conflicts of interest)</p> <p>COB 7.1.3 (Fair treatment)</p> <p>COB 7.13.4 (Restrictions on personal account dealing)</p> <p>A firm must take reasonable steps to ensure that a personal account transaction in s designated investment undertaken by any of its employees does not conflict with the firm's duties to its customers under the regulatory system.</p> <p>COB 7.3.3 (obligation to postpone own account transactions) in relation to research publications</p>	<p>This sort of issue is treated in the same way as other conflicts of interest. The firm is obliged to provide fair treatment to customers. Firms are required to restrict dealings by their employees (which will include directors) and other individual agents so as not to disadvantage customers.</p> <p>Principle 8 does not apply where the client is an MCP.</p> <p>If a firm has a fiduciary relationship with its client (eg where it acts as an advisor or a manager or other agent), it will be subject to a prima facie fiduciary obligation to ensure that no conflict arises between its interests and those of its client. As a matter of general law, such obligations can be modified (for example, by agreement between the client and the firm). However, if these obligations are not modified and the firm contravenes them, it may</p>

			also breach Principle 1, which requires the firm to conduct its business with integrity. If the firm is about to publish investment research it is required to give recipients an opportunity to act on it, unless certain exceptions apply. Personal account dealings are currently under review in the context of the review of conflicts and investment research (FSA Consultation Paper 171).
CYPRUS	Cyprus Securities and Exchange Commission and the Central Bank of Cyprus	Paragraph 1 of Part II of Annex 8 of the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003	
CZECH REPUBLIC			There is no special regime for “professional clients” of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for “institutional investors” defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.
ESTONIA	The EFSA	Guideline.	
HUNGARY		See comments for paragraph 24.	
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA	MFSA	The following SLCs in Part C1 of the ISG refer:  3.02 (j), (k), (m) 3.05 (c) - (e) 3.07(c) The Investment Firm have procedures to ensure that its staff conduct business openly, fairly, in compliance with rules and regulations, avoiding conflicts of interest and avoiding any undisclosed or improper benefit to staff. This SLC also requires Investment Firms to establish procedures to be followed by staff dealing on their own account. Section 9 of the ISG also refers in this regard.	
POLAND	Parliament for enacting	According to Art. 40.2.4 The Law on Public Trading of Securities every entity applying for a permit for conducting brokerage activities must provide PSEC with rules and regulations concerning the protection of confidential information. Every change of such rules must be notified to PSEC (Art. 48 of The Law) There is also a draft of a new Polish Law on Public Trading of Securities prepared which includes a delegation for issuing by Council of Ministers the decree concerning inter alia conduct of business rules. The said restriction is going to be one of the expressly established rules.	Polish Securities and Exchange Commission is responsible for drafting  30 September 2003 draft approved by the Council of Ministers whilst its entry into force envisaged for 1 May 2004.
SLOVAKIA	MF	Act No 566/2001 on Securities and Investment Services	An investment firm shall not provide information received from a

	FMA	Article 73	client in the course of providing consulting services to another person and shall not use this information for its own benefit or for benefit of another person.
SLOVENIA	SMA	Please see point 92 of the Retail Regime.	

<b>Standard 26</b>			
<i>An investment firm must record orders immediately, documenting and verifying all relevant items of proper execution.</i>			
<b>Country</b>	<b>Implementing Authority(ies)</b>	<b>Implementing Measure<sup>34</sup></b>	<b>Comments</b>
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees proposed by the Minister of Finance	See St. 24 (professional regime)	See St. 24 (professional regime)
DENMARK	The Ministry of Economic and Business Affairs Danish Financial Supervisory Authority	Financial Business Act, section 71, par 1, no 1 and no 2 Guidance for investment companies on Financial Business Act, section 15. (The above mentioned rules state that investment firms should have internal business procedures on recording and verifying orders.)	Implemented in general terms
FINLAND	Parliament Rahoitustarkastus	Chapter 4, Section 4, Paragraph 1 and Chapter 4, Section 1 of the Securities Markets Act Rahoitustarkastus Guideline on Practices to be applied in the Provisions of Investment Services (201.7).	
FRANCE	AMF	Article 3-4-4 of the GR of the CMF	
GERMANY		See 1	See 1
GREECE		Article 8, para 1, 2, 3, and 4 of Law 2396/96 applies.	
ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	COC, Section 7.3 As at 91, Part A above.	
ITALY	CONSOB	Article 63, paragraph n. 1, 2 and 5 of Consob Regulation 11522 <i>(Recording of orders and transactions)</i>	
LUXEMBOURG	CSSF	See 24	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	
NORWAY	Parliament	According to STA section 9-7 the investment firms are obliged to keep records of accepted and executed assignments giving a complete overview of its business. Kredittilsynet may lay down regulations on investment firm's obligation to keep records. According to the duties in regulation 1996/950 the investment firm must record orders immediately, documenting and verifying relevant items of proper execution, such as exact time for execution, number of contract note, identifying financial instruments, name of the seller and buyer, date of settlement, turnover, brokerage or spread, return commission, interest if	

<sup>34</sup> Any derogation to the application of the implementing measures should be mentioned.

		commercial paper, other expenses, proper reference to accountancy.	
PORTUGAL		SC art. 327; CMVM Reg. 12/2000 article 52	
SPAIN	Ministry of Economy/CNMV	Royal Decree 629/1993, of 3 May, Governing Rules of Action in the Securities Markets and Obligatory Record-Keeping. Article 6 “Record of Transactions”	.
SWEDEN	Finansinspektionen	Regulation on Conduct of Business Rules (2002:7), Chap 6 Dealing requirements. Section 1 See A 94.	Specific rules concerning the professional regime have not been implemented. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.
UNITED KINGDOM	FSA	Systems and controls requirements: SYSC 3.2.20 (Records) imposes a general obligation to make and retain records of dealings that are the subject of regulatory obligations. Conduct of business sourcebook: COB 7.12.3 – 7.12.6 (Record keeping requirement) specific record keeping obligations require a record of matters related to orders to be made and retained by firms which receive orders from customers. In relevant circumstances a firm is obliged to make additional records if this is appropriate. The records are to be made promptly. COB 7.12 does not apply where the client is an MCP.	
CYPRUS	Cyprus Securities and Exchange Commission and the Central Bank of Cyprus	Paragraph 2 of Part I of Annex 8 of the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003	
CZECH REPUBLIC			There is no special regime for “professional clients” of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for “institutional investors” defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.
ESTONIA	The EFSA	Guideline.	
HUNGARY		See comments for paragraph 24.	
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA	MFSA	The following SLCs in Part C1 of the ISG refer:: 3.05 The Licence Holder shall ensure the adequate disclosure of relevant material information to prospective and actual customers in a way which is fair, clear and not misleading. This shall include: i. unless there are good reasons not to do so, reporting fully, accurately and promptly to customers the details	

		of transactions undertaken on their behalf;  8.06 10.20	
POLAND	Council of Ministers for enacting	According to the Decree of the Council of Ministers dated September the 3 <sup>rd</sup> , 2002, in the matter of the procedures and the conditions to conduct operations for brokerage houses, banks conducting brokerage activities and banks keeping securities accounts, an authorised employee of a brokerage house shall confirm the placing of an order by a client. The brokerage house is obliged to issue a broker's order on the basis of client's order. There is also an obligation for brokerage house to record every instruction from client on magnetic or optical information carriers. (Par. 24, Par. 23.12, Par. 59).	Polish Securities and Exchange Commission is responsible for drafting,
SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 73	
SLOVENIA	SMA	Please see point 94 of the Retail Regime.	

<b>Standard 27</b>			
<i>An investment firm must keep a record of telephone orders on magnetic tape or an equivalent medium. Investment firms must duly inform the customer that the conversation will be recorded.</i>			
<b>Country</b>	<b>Implementing Authority(ies)</b>	<b>Implementing Measure<sup>35</sup></b>	<b>Comments</b>
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees proposed by the Minister of Finance	See St. 24 See also: the obligation of voice recording for derivatives contracts provided for in the Euronext Rule Book, rule B-9204 j° Art. 36, § 1, 3°, L. 6 April 1995	See St. 24
DENMARK			The Ministry of Economic and Business Affairs is the competent Authority for deciding on the further implementation. The Danish Financial Supervisory Authority has approached the Ministry of Economics and Business Affairs in that regard
FINLAND	Rahoitustarkastus	No provisions available	In practise all the investment firms keep a record of telephone orders on magnetic tape or an equivalent medium. The Rahoitustarkastus regulations and guidelines are currently under general restructuring and revision. The need for specifying provisions concerning the conduct of business rules is under discussion in that project. The consultation paper is scheduled to be sent out in early 2004.
FRANCE	AMF	Article 3-4-3 of the RG of the CMF	This provision requires taping of telephone conversations only of traders and other staff "who participate in the commercial relationship with customers, if the compliance officer considers it necessary in view of the amounts or risks involved", this second category including staff who receive client orders.

<sup>35</sup> Any derogation to the application of the implementing measures should be mentioned.

GERMANY		See 1	See 1
GREECE			An Internal Working Group of Experts has been established within the Hellenic Capital Market Commission aiming at preparing the remaining additional regulations for the full implementation of CESR Standards on Investor Protection. We expect the final outcome of this work to be available at the beginning of 2004. In addition, some investment services firm do keep records of telephone orders, but before taping the communications with their clients they should inform them about the obligation to keep confidential any information received under the Law on data protection.
ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	<u>COC, Section 7.3</u> As at 91, Part A above. <u>B&amp;RR Section 5.3</u> In any case where a firm tapes records a telephone conversation, it shall maintain such a tape recording for a period of at least six months and if its has reasonable grounds for believe the tape recording is or might be relevant to a complaint, disciplinary action or investigation it shall retain such tape recording unit it ceases to be of relevance to such complaint, disciplinary action or investigation.	
ITALY	CONSOB	Article 31 paragraph n. 1, of Consob Regulation 11522 <i>(Relationships between intermediaries and special categories of investor)</i> ○○○ Article 60, paragraph n. 2 and 3 of Consob Regulation 11522 <i>(Confirmation of orders)</i>	Consob has already published for consultation a revision of its regulation n. 11522 of 1 July 1998 on investment services in the securities field which implements this specific provision. Still professional clients can opt, already at present, for the level of protection afforded to retail customers.
LUXEMBOURG		According to the circular IML 93/102 relating to brokers and commission agents, it is strongly recommended to keep a record of telephone orders on magnetic tape. Furthermore, the professional shall be able at all times to produce detailed documentation concerning individual transactions. With regard to the discretionary portfolio management, he shall at all times be able to produce detailed information on the origin, transmission and execution of orders, as well as the composition of the portfolio.	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	
NORWAY	Ministry of Finance	The Ministry of Finance is currently working on a proposal by Kredittilsynet to introduce mandatory tape recording of telephone orders. Rule 27 will most likely be implemented in a regulation.	Currently not implemented
PORTUGAL			Not implemented
SPAIN	Ministry of Economy/CNMV	Royal Decree 629/1993, of 3 May, Governing Rules of Action in the Securities Markets and Obligatory Record-Keeping. Article 8 "Order Support Archive" Circular 3/1993, dated 29 December, regarding the record of transaction and order support archive. Rule 2 "Order Support	

		Archive”	
SWEDEN	Finansinspektionen	Regulation on Conduct of Business Rules (2002:7), Chap 6 Dealing requirements. The last sentence is not implemented. See A 95	Specific rules concerning the professional regime have not been implemented. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.
UNITED KINGDOM	FSA Parliament	COB 7.12 (Customer order and execution records) requires that records are made and kept, but the form of the record is not mandated – it can be any means appropriate to the business. COB 7.12 does not apply where the client is an MCP.  Also MAR 3.6.1 – 3.6.11 (Taping) in relation to inter-professional conduct.	Some exchanges require their members to maintain voice recording systems (e.g. London Stock Exchange, rule 4170-4171) Taping of a customer’s telephone conversations is limited by other legislative requirements (e.g. the Regulation of Investigatory Powers Act). However, it is permitted if the customer consents. Some additional provisions allow businesses to record calls for limited business purposes (Telecommunications (Lawful Business Practice) (Interception of Communications) Regs 2000). This is consistent with the limited exception to the ban on taping in Directive 97/66/EC.
CYPRUS	Cyprus Securities and Exchange Commission and the Central Bank of Cyprus	Paragraph 3 of Part IV of Annex 8 of the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003	
CZECH REPUBLIC			There is no special regime for “professional clients” of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for “institutional investors” defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.
ESTONIA	The EFSA	Guideline.	
HUNGARY	Government	Section 3 of Government Decree No. 205/1995	Section 3 of Government Decree No. 205/1995 states that “The investment firm must keep the record of telephone orders on magnetic tape or an equivalent medium as long as the contract based on this order is still not in written form. After the signing of the contract the telephone order does not have to be kept any more, but all the relevant order details (date, time, direction, size, other requirements) remain accessible in the uniform order registration system.”
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA		No requirements are imposed in this regard.	
POLAND	Council of Ministers for enacting	According to the Decree of the Council of Ministers dated September the 3 <sup>rd</sup> , 2002, in the matter of the procedures and the	Polish Securities and Exchange Commission is responsible for drafting

		<p>conditions to conduct operations for brokerage houses, banks conducting brokerage activities and banks keeping securities accounts, there is an obligation for brokerage house to keep the forms of orders as well as records of any instructions on magnetic or optical information carriers. (Par. 59.3)</p> <p>There is a draft of a new Polish Law on Public Trading of Securities prepared which includes a delegation for issuing by Council of Ministers the decree concerning inter alia conduct of business rules. The obligation of informing the customer about recording the conversation is going to be one of the expressly established rules.</p>	<p>30 September 2003 draft approved by the Council of Ministers whilst its entry into force envisaged for 1 May 2004.</p>
SLOVAKIA	MF FMA	<p>Act No 566/2001 on Securities and Investment Services</p> <p>Article 73</p>	<p>At minimum 10 years</p>
SLOVENIA	SMA	<p>Please see point 95 of the Retail Regime.</p>	

## 5.2) EXECUTION OF ORDERS

Standard 28	<p><i>An investment firm must take all care to obtain the best possible result for the customer with reference to price, costs born by the customer, size, nature of the transactions, time of reception of order, speed and likelihood of execution and trading venue taking into account the state of the relevant market(s). The relevant market(s) shall be deemed to be the market(s) offering the most favourable trading conditions also in terms of transparency, liquidity and clearing and settlement arrangements in connection with the envisaged transaction. If the investment firm executes in another trading venue, it must be able to demonstrate to the customer that this was done in accordance with his best interest.</i></p>		
Country	Implementing Authority(ies)	Implementing Measure <sup>36</sup>	Comments
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees proposed by the Minister of Finance	<p>Art. 36, § 1, 2° L. 6 April 1995</p> <p>Art. 37 L. 6 April 1995 and RD of 13 May 1996 (centralisation principle and possibility of opt out for investors) The RD provides in a flexible opt out for professional investors</p> <p>Art. 38, L. 6 April 1995</p> <p>For transactions in financial instruments listed on a stock exchange or traded on another regulated market, the intermediary is presumed to have satisfied the obligation referred to in Art. 36, § 1, 2°, if he carries out the transaction on a regulated market in accordance with the rules applicable to this market, unless he has received other instructions from his client (Art. 36, § 3 L. 6 April 1995</p>	<p>Art. 11, 26, 1° and 8° and 27, § 1, 4°, L. 2 August 2002 (to come into force later)</p> <p>Further measures can be taken on the basis of Art. 26, 17°, Art. 28, § 1, 5° and 146 L. 2 August 2002</p>
DENMARK	The Ministry of Economic and Business Affairs Danish Financial Supervisory Authority	<p>Executive order on Good Securities Trading Practices, section 5.</p> <p>Guidance on Executive order on Good Securities Trading Practices, section 5.</p> <p>(The above mentioned rule states that investment firms must</p>	<p>Derogation: The two last sentences are not explicitly mentioned.</p>

<sup>36</sup> Any derogation to the application of the implementing measures should be mentioned.

		transmit orders promptly in a way to facilitate best execution taking into account time, size and in general best terms for the customers taking the customers situation into consideration. The investment firm must be able to demonstrate that the order was executed in accordance with best execution.)	
FINLAND	Parliament Rahoitustarkastus	Chapter 4, Section 4, Paragraph 1 SMA Chapter 4, Section 1 of the Securities Markets Act	General rule, no detailed provisions available yet. The Securities Markets Act sets general rules for both the retail and professional regime. The issuance of more detailed provisions is delegated to the Financial Supervision Authority. See Standard 1 above. The Rahoitustarkastus regulations and guidelines are currently under general restructuring and revision. The need for specifying provisions concerning the conduct of business rules is under discussion in that project. In this case that means for example a clear distinction between the different regimes. The consultation paper is scheduled to be sent out in early 2004.
FRANCE	AMF	Article 3-3-1 of the GR of the CMF	This provision contains the general “best execution” rule which is stated much more simply than the CESR standard.  Above a certain thresholds set up in the CMF general regulation concentration of order rule does not apply
GERMANY		See 1	See 1
GREECE		Section 9.1. of the Code of Conduct.	
ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	<u>COC, Section 7.1 and 7.2</u> As at 91, Part A above.	
ITALY	CONSOB	Article 21, paragraph n. 1, of Legislative decree n. 58/1998 <i>(General criteria)</i> See above rule 102 of the retail regime.  Article 31 paragraph n. 1, of Consob Regulation 11522 <i>(Relationships between intermediaries and special categories of investor)</i> ○○○ Article 32, paragraph n. 3 and 4 of Consob Regulation 11522 <i>(Dealing)</i>	Consob has already published for consultation a revision of its regulation n. 11522 of 1 July 1998 on investment services in the securities field which implements this specific provision. Still professional clients can opt, already at present, for the level of protection afforded to retail customers.
LUXEMBOURG	CSSF	As principle 1.2. of the circular CSSF 2000/15 requires that the professional shall do his utmost that the orders are executed on the best possible terms, the principle 28 must be observed by the investment firm.	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	
NORWAY	Parliament	STA, section 9-2 para 1 No. 1 (obligation to execute orders with due care and dispatch), para 4 (best execution)	
PORTUGAL		SC art 330/2	
SPAIN	Ministry of Economy/CNMV	Royal Decree 629/1993, of 3 May, Governing Rules of Action in the Securities Markets and Obligatory Record-Keeping. Annex	

		“General Code of Conduct for the securities markets”. Article 1 “Impartiality and good faith”. Article 2 “Care and diligence”.	
SWEDEN	Finansinspektionen		Specific rules concerning the professional regime have not been implemented. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.
UNITED KINGDOM	FSA	Principle 2 (Skill care and diligence) Principle 6 (Customers’ interests) COB 7.5.3 – 7.5.6 (Best execution) A firm must provide best execution. It must take reasonable care to ascertain the best price available for the customer order in the relevant market at the time for transactions of the kind and size concerned. It must execute the order at a price no less advantageous to the customer, unless it has taken reasonable steps to ensure that it would be in the customer's best interests not to do so.	Please see also Retail Standard 98, above. Firms are required to take reasonable care (the usual standard imposed by the general law) to obtain the best available price for the customer taking account of the relevant matters. If firms have access to more than one trading venue, they are to provide the best price available across those venues. The above-mentioned requirements do not apply where the client is an MCP. In addition, intermediate customers can opt out of the requirement for the firm to provide best execution. The FSA has in its Consultation Paper 154, been consulting on a new approach to the best execution rules.
CYPRUS	Cyprus Securities and Exchange Commission and the Central Bank of Cyprus	Paragraph 8 of Part I of Annex 8 of the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003	
CZECH REPUBLIC			There is no special regime for “professional clients” of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for “institutional investors” defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.
ESTONIA	The EFSA	Guideline.	
HUNGARY	Parliament	Subsection 3 of Section 111 of CMA Section 121 of CMA	All rules, regulations and comments - which were presented at the presentation of the retail regime - should be applied for the “ <b>professional regime</b> ”.  Investment service providers and commodities brokers must conclude transactions that are similar in nature in the sequence of arrival, and, if transactions are similar in nature, they shall conclude those made on behalf of clients before those made on their own account. The requirement to complete transactions in the sequence of arrival shall not apply to transactions in which the client waives his rights and instructs the service provider to carry

			<p>out the transaction in consecutive segments.</p> <p>Whenever consignments from different clients are converged, the investment service provider and the commodities broker shall afford equal treatment to all clients concerned and shall not discriminate against any one of the clients.</p> <p>Any and all extra margin achieved when the investment service provider or the commodities broker is able to conclude a transaction at a price better than what is stipulated in the contract shall be paid to the client. Any contract to the contrary shall be null and void.</p>
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA	MFSA	3.03(a), (b), (f) Part C1 of the ISG	<p>No criteria regarding the 'acceptability' of markets are specified. Furthermore, there is no requirement that Investment Firms must be able to demonstrate to the customer that a transaction was traded in another trading venue, in accordance with his best interest. Rather, SLC 3.05(l) in Part C1 of the ISG merely states that before introducing a Private Customer to an investment business outside Malta, making the customer aware that such business will not be covered by the Investment Services Act, 1994, and advising such customer of the need to familiarise himself/herself about the system of investment services regulation in that jurisdiction.</p>
POLAND	Parliament for the law Council of Ministers for the decree	There is a draft of a new Polish Law on Public Trading of Securities prepared which includes a delegation for issuing by Council of Ministers the decree concerning inter alia conduct of business rules. The decree is going to expressly establish such obligations.	<p>Polish Securities and Exchange Commission is responsible for drafting and the Council of Ministers for approving 30 September 2003 draft approved by the Council of Ministers whilst its entry into force envisaged for 1 May 2004.</p>
SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 73	<p>To exercise due care when providing investment services above all means that an investment firm, considering the nature of the investment services provide in case of individual sales, purchases and other transactions, compared offered prices or documents that it is impractical or impossible to compare several offers, documents how a transaction was carried out, checks the objectives of registered data and prevents the risk of financial losses, designs business and investment plans which serve as the basis for effecting individual operations.</p>
SLOVENIA	SMA	Please see point 102 of the Retail Regime.	

<b>Standard 29</b>	<i>An investment firm acting as principal in relation to a customer order must inform the customer accordingly beforehand and must be in a position to justify the price at which the transaction is executed, with reference to the prices and volumes in the relevant market(s), where appropriate, or the presumed value determined on the basis of objective elements, e.g. mark-to-market.</i>		
<b>Country</b>	<b>Implementing Authority(ies)</b>	<b>Implementing Measure<sup>37</sup></b>	<b>Comments</b>

<sup>37</sup> Any derogation to the application of the implementing measures should be mentioned.

AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees proposed by the Minister of Finance	Art. 37 and 38, 1 <sup>st</sup> paragraph, L. 6 April 1995	Art. 26, 8° and 11° (to come into force later) Further measures can be taken on the basis of Art. 26, 17° and 146 L. 2 August 2002
DENMARK			Not implemented
FINLAND	Parliament Rahoitustarkastus	SMA Chapter 4, Section 4, Paragraph 1 SMA Chapter 4, Section 1 of the Securities Market Act	General rule, no detailed provisions available yet. The Securities Markets Act sets general rules for both the retail and professional regime. The issuance of more detailed provisions is delegated to the Financial Supervision Authority. See Standard 1 above. The Rahoitustarkastus regulations and guidelines are currently under general restructuring and revision. The need for specifying provisions concerning the conduct of business rules is under discussion in that project. In this case that means for example a clear distinction between the different regimes. The consultation paper is scheduled to be sent out in early 2004.
FRANCE	AMF	Article 3-3-8 of the GR of the CMF	This provision requires the firm to inform the client after the fact where it has acted as counterparty to the trade, not before the trade., which would appear to be difficult to implement
GERMANY		See 1	See 1
GREECE		Section 4.2. (a ) of the Code of Conduct.	
ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	<u>COC, Section 2.2</u> As at 26, Part A above.	
ITALY	CONSOB	Article 21, paragraph n. 1, of Legislative decree n. 58/1998 <i>(General criteria)</i> See above rule 102 of the retail regime.  Article 31 paragraph n. 1, of Consob Regulation 11522 <i>(Relationships between intermediaries and special categories of investor)</i> ○○○ Article 32, paragraph n. 5 of Consob Regulation 11522 <i>(Dealing)</i>	Consob has already published for consultation a revision of its regulation n. 11522 of 1 July 1998 on investment services in the securities field which implements this specific provision. Still professional clients can opt, already at present, for the level of protection afforded to retail customers.
LUXEMBOURG	CSSF	The professional shall in all cases inform the client of the capacity (principal or agent) in which he is party to a transaction. The professional shall possess the resources necessary to respond to any simple enquiry from the client as to the commitments entered into on his behalf. (principle 5.7. and 5.8. of the circular 2000/15)	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	
NORWAY	Parliament	STA, section 9-3 para 2 Duty to inform the customer that the investment firm has acted as principal, but it is sufficient that notification is given post fact. The investment firm may only act as principal if better conditions for the customer can not be obtained in the market.	Partly implemented

PORTUGAL		SC arts 330 and 346/1 CMVM Reg. 12/2000 art. 42	
SPAIN			
SWEDEN	Finansinspektionen		Specific rules concerning the professional regime have not been implemented. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.
UNITED KINGDOM	FSA	Principle 2 (Skill care and diligence) Principle 6 (Customers' interests) Principle 7 (Communications with clients) Principle 8 (Conflicts of interest) COB 7.1.3 (Fair treatment) COB 7.5.3 – 7.5.6 (Best execution)	Firms are obliged to deliver best execution for customers whether acting as principal or agent for the customer (see obligations described in relation to paragraph 28 above). Where the client is not an MCP, firms are also obliged to ensure fair treatment for customers when they have a material interest in a transaction, to manage conflicts of interests between themselves and customers and to have regard to the information needs of customers.
CYPRUS	Cyprus Securities and Exchange Commission and the Central Bank of Cyprus	Paragraph 1 of Annex 9 of the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003	
CZECH REPUBLIC			There is no special regime for “professional clients” of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for “institutional investors” defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.
ESTONIA	The EFSA	Guideline.	
HUNGARY		See comments for paragraph 28.	
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA	MFSA	The following SLCs in Part C1 of the ISG refer:  3.02(m) 3.03(b) 3.06(i) An agreement with a Private Customer must include statements as to whether the Investment Firm may act as a Principal in a transaction with the customer 8.07 (f) (o)	The condition does not specifically require the Investment Firm to disclose to a client that it will be acting as a Principal beforehand. Rather, it requires the Investment Firm to disclose this fact in the Customer Agreement – which is generally signed before the transaction is effected. However, a Customer Agreement is not required in all circumstances (question 23 refers) – which means that there may be instances where an Investment Firm may be effecting execution only order on behalf of clients as a Principal and a Customer Agreement is not available.
POLAND	Council of Ministers for enacting	The PSEC is now discussing possible method and form for the implementation of the mentioned standard.	Polish Securities and Exchange Commission is responsible for drafting and Ministry of Finance for approving

SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 73	
SLOVENIA		N.A.	

<b>Standard 30</b>			
<i>An investment firm must ensure that orders are executed in accordance with the instructions from the customer.</i>			
<b>Country</b>	<b>Implementing Authority(ies)</b>	<b>Implementing Measure<sup>38</sup></b>	<b>Comments</b>
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees proposed by the Minister of Finance	See St. 28 (professional regime)	See St. 28 (professional regime)
DENMARK			The Ministry of Economic and Business Affairs is the competent Authority for deciding on the further implementation. The Danish Financial Supervisory Authority has approached the Ministry of Economics and Business Affairs in that regard
FINLAND	Parliament	Chapter 4, Section 4, Paragraph 1 Securities Markets Act	
FRANCE	AMF	No explicit implementing measure identified, but this is clearly required of the step of compliance with the best execution principle..	This is not an explicit requirement, but it is clearly required.
GERMANY		See 1	See 1
GREECE		Section 9.1. of the Code of Conduct.	
ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	<u>COC, Section 2</u> As at 26, Part A above.	
ITALY	CONSOB	Article 21, paragraph n. 1, a) of Legislative decree n. 58/1998 <i>(General criteria)</i> 1. In providing investment and non-core services, authorized persons must: a) act diligently, correctly and transparently in the interests of customers and the integrity of the market; (...). ○○○ Article 32, paragraph n. 1 of Consob Regulation 11522 <i>(Dealing)</i>	
LUXEMBOURG	CSSF	See 24	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	
NORWAY	Parliament	According to STA section 9-2 par 1 sub 1 an investment firm shall act in an orderly and correct manner in the performance of its activity and execute received assignments with due care and dispatch.	If Kredittilsynet discovers that an investment firm has not executed orders in accordance with the instructions from customer, we would most certainly conclude that it would have been a breach of section 9-2 par 2 sub 1.
PORTUGAL		SC article 330./1	.

<sup>38</sup> Any derogation to the application of the implementing measures should be mentioned.

SPAIN	Ministry of Economy/CNMV	Royal Decree 629/1993, of 3 May, Governing Rules of Action in the Securities Markets and Obligatory Record-Keeping. Annex “General Code of Conduct for the securities markets”. Article 2 “Care and diligence”.	
SWEDEN	Finansinspektionen		Specific rules concerning the professional regime have not been implemented. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.
UNITED KINGDOM	FSA	Principle 2 (Skill care and diligence) Principle 6 (Customers’ interests) COB 7.4.3 (Dealing fairly and in due turn), COB 7.6.4 (Timely execution)	Firms must act with due skill, care and diligence. If firms have agreed by contract to carry out an order, general principles of contract law will apply to oblige the firm to comply. In addition, where the client is not an MCP, firms are required to pay due regard to customers’ interests, execute orders from customers in a timely fashion (providing best execution) and do so fairly and in due turn.
CYPRUS	Cyprus Securities and Exchange Commission and the Central Bank of Cyprus	Paragraph 6 of Part I of Annex 8 of the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003	Not explicit enough This matter will be expressly provided for in the forthcoming amendments to the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003, which are expected to be issued by the end of the first quarter of 2004.
CZECH REPUBLIC			There is no special regime for “professional clients” of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for “institutional investors” defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.
ESTONIA	The EFSA	Guideline.	
HUNGARY		See comments for paragraph 28.	
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA	MFSA	SLC 3.03(i) in Part C1 of the ISG	
POLAND	Council of Ministers for enacting	According to the Decree of the Council of Ministers dated September the 3 <sup>rd</sup> , 2002, in the matter of the procedures and the conditions to conduct operations for brokerage houses, banks conducting brokerage activities and banks keeping securities accounts, an authorised employee of a brokerage house shall confirm the placing of an order by a client. The brokerage house is obliged to issue a broker’s order on the basis of client’s order. If the brokerage house accepts instructions from client placed with use	Polish Securities and Exchange Commission is responsible for drafting,

		of a telephone, tele-facsimile, modem or other technical appliances, orders issued on the basis of such instructions must be promptly confirmed by an authorised employee of a brokerage house. (Par. 23.12, Par.24, Par. 25.1, Par. 25.2, Par. 25.3, Par. 25.4, Par. 26.3)	
SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 73	
SLOVENIA	SMA	Please see point 103 of the Retail Regime.	

<b>Standard 31</b>			
<i>An investment firm takes reasonable steps to refrain from executing orders for its own account or the account of its members of the board, directors, partners, employees and tied-agents before those of customers in identical or better conditions than the latter ("front running").</i>			
<b>Country</b>	<b>Implementing Authority(ies)</b>	<b>Implementing Measure<sup>39</sup></b>	<b>Comments</b>
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees proposed by the Minister of Finance	Art. 36, § 1, 1°, 2° and 6°, L. 6 April 1995 See also: the prohibition of front running provided for in the Euronext Rule Book, rule B-2301 j° Art. 36, § 1, 3°, L. 6 April 1995	Art. 26, 1° and 27, § 1, L 2 August 2002 .(to come into force later) Further measures can be taken on the basis of Art. 26, 17°, Art. 27, § 1, 5°, and 146 L. 2 August 2002
DENMARK	Parliament	Securities Trading, ect Consolidated Act, section 37a. (The above mentioned rule states that investment firms should draw up internal rules to prevent insider trading.)	Implemented to the extent the front running mentioned is considered insider trading.
FINLAND	Parliament Rahoitustarkastus	Chapter 4, Section 4, Paragraph 3 of the Securities Markets Act Rahoitustarkastus Guideline on Practices to be applied in the Provisions of Investment Services (201.7).	
FRANCE	AMF	Article 3-4-8 of the GR of the CMF	Moreover, front running is subject to market abuse sanction.
GERMANY		See 1	See 1
GREECE		Section 9.1. of the Code of Conduct.	
ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	<u>COC, Section 14.1</u> As at 17, Part A above.	
ITALY	CONSOB	Article 21, paragraph n. 1, a) and c) of Legislative decree n. 58/1998 <i>(General criteria)</i> Article 58, paragraph n.1 a), b), c), 2 and 3 of Consob Regulation 11522 <i>(Internal code of conduct)</i>	Consob has already published for consultation a revision of its regulation n. 11522 of 1 July 1998 on investment services in the securities field to clarify the specific obligations arising from the general principles laid down in the provisions at present in force
LUXEMBOURG	CSSF	As principle 1.7. of the circular CSSF 2000/15 prohibits any market manipulation, an investment firm must thus refrain from any front running.	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain:depending on outcome of deliberations with ministry of finance	
NORWAY	Parliament	According to STA section 9-2 par 1 sub 6 the investment firm shall endeavour to avoid conflicts of interest inter alia by ensuring that	

<sup>39</sup> Any derogation to the application of the implementing measures should be mentioned.

		<p>the customer's interests rank above the firm's interests and that the interests of certain customers are not unfairly favoured at the expense of other customers. According to STA section 2a-2 par 3 employees may not purchase, sell or subscribe financial instruments when the employer undertaking has made a decision regarding purchase, sale or subscription of the instruments concerned, or when a customer order has been placed for the instruments concerned. According to STA section 9-3 par 1 an investment firm may not engage in own-account trading as mentioned in STA section 8-5 first par sub 2 in financial instruments for which a client order has been place and where no specific price is stated in the order.</p> <p>Ethical Norms, article 5-2(2)</p>	
PORTUGAL		SC article 347/1 b) and c)	
SPAIN	Ministry of Economy/CNMV	<p>LAW 24/1988 SECURITY MARKETS ACT Article 80 :Title VII of Conduct of Business Rules</p> <p>Royal Decree 629/1993, of 3 May, Governing Rules of Action in the Securities Markets and Obligatory Record-Keeping. Annex "General Code of Conduct for the securities markets". Article 1 "Impartiality and good faith".</p>	
SWEDEN	Parliament	<p>The Securities Business Act (1991:981), Chap 1 Section 7</p> <p>See A 105</p>	<p>Specific rules concerning the professional regime have not been implemented.</p> <p>Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.</p>
UNITED KINGDOM	FSA	<p>COB 7.4.3 (Dealing fairly and in due turn)</p> <p>COB 7.6.4 – 7.6.5 (Achieving timely execution)</p> <p>Also see rules referred to in relation to paragraph 25 above</p>	<p>Customer orders are required to be executed promptly and in due turn unless postponement is in the best interests of customer. These requirements do not apply where the client is an MCP. See also the comments in relation to paragraph 25, above. There is provision for sophisticated customers to opt out in COB 7.5.4.</p>
CYPRUS	Cyprus Securities and Exchange Commission and the Central Bank of Cyprus	Paragraph 1 of Part II of Annex 8 of the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003	
CZECH REPUBLIC			<p>There is no special regime for "professional clients" of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for "institutional investors" defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations</p>

			of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.
ESTONIA	The EFSA	Guideline.	Front running is prohibited by the SMA and the TSE Rules and Regulations “Membership Rules” p 9.2
HUNGARY	Parliament	Section 121 of CMA	<p>Investment service providers and commodities brokers may accept consignments in respect of listed securities, exclusive of government securities, and other exchange-traded instruments only for trading on the exchange, and may engage in dealing for their own account – with some exception - only if transacted on the exchange.</p> <p>Investment service providers and commodities brokers may engage in the trading of listed securities, other than government securities, and exchange-traded instruments only in the capacity of intermediaries subject to consignment contract with the client. If specifically requested by a client, the investment service provider shall enter into a consignment contract in respect of government securities as well.</p> <p>When trading on the exchange, an investment service provider or a commodities broker may enter into a sales contract with the client for its own account in the absence of an appropriate counter-offer, only if permitted by the exchange's regulations.</p> <p>Investment service providers and commodities brokers must conclude transactions that are similar in nature in the sequence of arrival, and, if transactions are similar in nature, they shall conclude those made on behalf of clients before those made on their own account. The requirement to complete transactions in the sequence of arrival shall not apply to transactions in which the client waives his rights and instructs the service provider to carry out the transaction in consecutive segments.</p> <p>Insider information – among others - shall mean information which has not been made public relating to the securities market, such as any plans to acquire participating interest in a public limited liability company, conclusion of agency contract, preliminary decision concerning sale or purchase, change in exchange rate affecting Hungarian forint and other currencies, syndicate agreement among owners, voting arrangements, which, if it were made public, would be likely to have a significant effect on the value or price of the securities or exchange-traded instruments in question.</p> <p>Under Hungarian law “front running” can be considered as a special kind of insider cases.</p>
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA	MFSA	The following SLCs in Part C1 of the ISG refer: 3.02(j), (k)	
POLAND	Parliament for the law	The PSEC is now discussing possible method and form for the	Polish Securities and Exchange Commission is responsible for

	Council of Ministers for the decree	implementation of the mentioned standard.	drafting
SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 73	
SLOVENIA	SMA	Please see point 105 of the Retail Regime.	

### 5.3) POST- EXECUTION OF ORDERS

Standard 32	<i>An investment firm must ensure the proper and speedy recording, allocation and distribution of executed transactions.</i>		
Country	Implementing Authority(ies)	Implementing Measure <sup>40</sup>	Comments
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees proposed by the Minister of Finance	Art. 36, § 1, 7° and 62 L 6 April 1995 and prudential requirements	Art. 26, 8°, L. 2 August 2002 (to come into force later) New rules can be enacted by RD on the basis of Art. 26, 17, L. 2 August 2002
DENMARK	Parliament.	Financial Business Act, section 71 par. 1, no 1 The above mentioned rule state that investment firms should have internal business procedures on recording an allocation of orders.)	Implemented in general terms
FINLAND	Parliament	Chapter 4, Section 4, Paragraph 1 Securities Markets Act	
FRANCE	AMF	Articles 3-4-4 and 6-3-5 of the GR of the CMF	These provisions refer respectively to the recording and allocation (which also covers "distribution") of executed transactions.
GERMANY		See 1	See 1
GREECE		Section 4.3. (a), article 8 para 2 of Law 2396/96 apply.	
ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	<u>COC, Section 15.2</u> As at 97, Part A above.	
ITALY	CONSOB	Article 21, paragraph n. 1, of Legislative decree n. 58/1998 <i>(General criteria)</i> See above rule 111 of the retail regime  Article 63 of Consob Regulation 11522 <i>(Recording of orders and transactions)</i>	Consob has already published for consultation a revision of its regulation n. 11522 of 1 July 1998 on investment services in the securities field to clarify the specific obligations arising from the general principles laid down in the provisions at present in force.
LUXEMBOURG	CSSF	As principle 1.2. of the circular CSSF 2000/15 requires that the professional shall do his utmost to see that orders are executed on the best possible terms, an investment must ensure the proper and speedy recording, allocation and distribution of executed orders.	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	no legislative authority for AFM
NORWAY	Parliament	STA, section 9-2 para 1. The provisions of rule 32 must be observed in order to observe "good market practice" as required by section 9-2.	
PORTUGAL		CMVM Regulation 12/2000 article 74 ss.	

<sup>40</sup> Any derogation to the application of the implementing measures should be mentioned.

SPAIN			
SWEDEN	Finansinspektionen	Regulation on Conduct of Business Rules (2002:7), Chap 6 Dealing requirements. See A111	Specific rules concerning the professional regime have not been implemented. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.
UNITED KINGDOM	FSA	COB 7.7.5 – 7.7.6, 7.7.16 – 7.7.17 (Aggregation of orders) COB 7.12.3 – 7.12.6 (Customer order and execution records)	Firms are obliged to allocate (when orders are aggregated) and record executed transactions promptly. These requirements do not apply where the client is an MCP.
CYPRUS	House of Representatives  Cyprus Securities and Exchange Commission and the Central Bank of Cyprus  Cyprus Securities and Exchange Commission	Section 36 of the Investment Firms Law of 2002 – 2003  Paragraph 14 of Part 1 of Annex 8 of the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003  Section 8(1) and Paragraphs 2.1 and 2.2 of Part III of Annex 1 of the Directive on Books and Records to be kept by the Cyprus Investment Firms	
CZECH REPUBLIC			There is no special regime for “professional clients” of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for “institutional investors” defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.
ESTONIA	The EFSA	Guideline.	
HUNGARY			All rules, regulations and comments - which were presented at the presentation of the retail regime - should be applied for the <b>“professional regime”</b> .
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA	MFSA	SLC 3.03(a), 3.05(i), 8.06, 10.20 in Part C1 of the ISG	
POLAND	Parliament for the law Council of Ministers for the decree	There is a draft of a new Polish Law on Public Trading of Securities prepared which includes a delegation for issuing by Council of Ministers the decree concerning inter alia conduct of business rules. The decree is going to expressly establish such obligations.	Polish Securities and Exchange Commission is responsible for drafting and the Council of Ministers for approving 30 September 2003 draft approved by the Council of Ministers whilst its entry into force envisaged for 1 May 2004.
SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 73	An investment firm is obliged to carry out client orders under best terms and execute in the times sequence as they were submitted to the investment firm.
SLOVENIA	SMA	Please see point 111 of the Retail Regime.	

Standard 33			
<i>Where orders for own and customers accounts have been aggregated, the investment firm must not allocate the related trades in any way that is detrimental to any customer. If such an aggregated order is only partially executed, allocation to customers must take priority over allocation to the investment firm.</i>			
Country	Implementing Authority(ies)	Implementing Measure <sup>41</sup>	Comments
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees proposed by the Minister of Finance	Art. 36, § 1, 5°, L. 6 April 1995	Art. 26, 4° and 9°, L. 2 August 2002 (to come into force) New rules can be enacted by RD on the basis of Art. 26, 17, L. 2 August 2002
DENMARK	Parliament  Danish Financial Supervisory Authority	Financial Business Act, section 71, par 1, no 1 and no 2  Guidance for investment companies on Financial Business Act, section 15. (The above mentioned rules state that investment firms should have internal business procedures on recording an allocation of orders.)	Implemented in general terms
FINLAND	Parliament Rahoitustarkastus	Chapter 4, Section 1 of the Securities Markets Act Rahoitustarkastus Guideline on Practices to be applied in the Provisions of Investment Services (201.7).	General rule, no detailed provisions available yet. The Securities Markets Act sets general rules for both the retail and professional regime. The issuance of more detailed provisions is delegated to the Financial Supervision Authority. See Standard 1 above. The Rahoitustarkastus regulations and guidelines are currently under general restructuring and revision. The need for specifying provisions concerning the conduct of business rules is under discussion in that project. The consultation paper is scheduled to be sent out in early 2004.
FRANCE	AMF	No specific implementing measure identified, but the general principle of fair treatment of clients is always mandatory.	As noted above no rule exists for this specific situation. It would however be a breach to allocate in a way that would be detrimental to a customer.
GERMANY		See 1	See 1
GREECE		Section 9.2. of the Code of Conduct.	
ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	<u>COC, Section 15.2</u> As at 97, Part A above. <u>COC Section 12</u> As at 112, Part A above <u>COC Section 7.4</u> As at 91 Part A above.	
ITALY	CONSOB	Article 21, paragraph n. 1, a) of Legislative decree n. 58/1998 <i>(General criteria)</i>  Article 33, paragraph n. 2 and 3 of Consob Regulation 11522 <i>(Reception and transmission of orders)</i>	Consob has already published for consultation a revision of its regulation n. 11522 of 1 July 1998 on investment services in the securities field to clarify the specific obligations arising from the general principles laid down in the provisions at present in force.

<sup>41</sup> Any derogation to the application of the implementing measures should be mentioned.

LUXEMBOURG	CSSF	As principle 1.2. of the circular CSSF 2000/15 requires that the professional shall do his utmost to see that orders are executed on the best possible terms, an investment firm investment firm must refrain from allocating the related trades in a way that is detrimental to any customer where orders for own and customers accounts have been aggregated.	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	
NORWAY	Parliament ANSC	STA, section 9-2 para 1 No. 6 (duty to put the interests of the customers above own interests). STA section 9-3 para 1 (prohibition on front running, the firm may not trade in instruments in which customers have placed orders that have not yet been executed.) Ethical Norms, article 1-1(2) nr. 6	
PORTUGAL		SC art. 328/4	
SPAIN	Ministry of Economy/CNMV	LAW 24/1988 SECURITY MARKETS ACT Article 79 f :Title VII of Conduct of Business Rules  Royal Decree 629/1993, of 3 May, Governing Rules of Action in the Securities Markets and Obligatory Record-Keeping. Annex "General Code of Conduct for the securities markets". Article 1 "Impartiality and good faith". Article 6 "Conflicts of interest".	
SWEDEN	Finansinspektionen		Specific rules concerning the professional regime have not been implemented. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.
UNITED KINGDOM	FSA	COB 7.7.9R (Requirement for fair allocation)  COB 7.7.11R (Re-allocation)	The allocation must not give unfair preference to the firm or to any of those for whom it dealt. Firm must give priority to satisfying customer orders if the aggregate total of all orders cannot be satisfied, unless the firm can demonstrate reasonably that without its own participation it would not have been able to execute those orders on such favourable terms or at all.  If the order is executed only partially, resulting in an uneconomic allocation to some customers, the firm may undertake a revised allocation of an aggregated order – taking reasonable steps to ensure it is done in the best interests of customers for whom the firm has dealt.  These requirements only apply where the client is an MCP.
CYPRUS	Cyprus Securities and Exchange Commission and	Paragraphs 5 and 6 of Part III of Annex 8 of the Code of Business Conduct for Investment Firms and the Natural Persons employed	Paragraph 6 of Part III of Annex 8 of the Code allows an exception to the rule only if it can be proved by the Investment Firm that

	the Central Bank of Cyprus	by them, Directive 1/2003	without its participation the transaction could not have taken place on such beneficial terms or that it would not have taken place at all. If this exception is not allowed then perhaps the interests of the customers would be otherwise harmed.
CZECH REPUBLIC			There is no special regime for “professional clients” of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for “institutional investors” defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.
ESTONIA	The EFSA	Guideline.	
HUNGARY		See comments for paragraph 32.	
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA	MFSA	SLC 3.02(k), 14.04 in Part C1 of the ISG	
POLAND	Parliament for the law Council of Ministers for the decree	According to current Polish rules there is no possibility of order aggregating. There is only one exemption from this restriction. According to Par. 23.3 of the Decree of the Council of Ministers dated September the 3 <sup>rd</sup> , 2002, in the matter of the procedures and the conditions to conduct operations for brokerage houses, banks conducting brokerage activities and banks keeping securities accounts, the portfolio manager may issue one order for its customers provided that that order specifies the number of securities bought or sold for each customer and the procedure followed by the brokerage house in case of partial fulfilment of order.	Polish Securities and Exchange Commission is responsible for drafting of the decree
SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 73	A investment firm is obliged to keep money and securities entrusted by clients in bank accounts and owners accounts separately from bank accounts and owners accounts in which it keeps money and securities constituting its assets.
SLOVENIA	SMA	Please see point 112 of the Retail Regime.	

## **6. INDIVIDUAL DISCRETIONARY PORTFOLIO MANAGEMENT**

In addition to the foregoing standards and rules, additional provisions apply to the service of individual portfolio management.

<b>Standard 34</b>	<i>Prior to the provision of any discretionary portfolio management service, a customer agreement containing the relevant provisions of the basic customer agreement mentioned above, as well as certain additional provisions specific to portfolio management must be signed between the parties.</i>		
<b>Country</b>	<b>Implementing Authority(ies)</b>	<b>Implementing Measure<sup>42</sup></b>	<b>Comments</b>

<sup>42</sup> Any derogation to the application of the implementing measures should be mentioned.

AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees proposed by the Minister of Finance CBFA circulars	Prudential policy of the CBFA recommends to have a written agreement containing essential aspects of the relationship (objectives, type of transactions and instruments, reporting, fees, ...)	To come into effect later: Article 28, 1°, L. 2 August 2002 provides that the secondary regulations implementing the high level conduct of business rules as referred to in the Law can be differentiated depending on the categorization as a professional investor or not. CBFA Consultation Document aims at transposing the CESR-principles and rules as referred to in the professional regime.
DENMARK			The Ministry of Economic and Business Affairs is the competent Authority for deciding on the further implementation. The Danish Financial Supervisory Authority has approached the Ministry of Economics and Business Affairs in that regard
FINLAND	Parliament	No provisions available	According to the Securities Markets Act Chapter 4, Section 2, Paragraph 1, the liability to conclude a contract in writing does not apply to an investment firm when the investment service is provided to a professional investor. In practice the discretionary portfolio management contracts are concluded in writing also with professional investors. Rahoitustarkastus has been in a dialogue with the Ministry of Finance in implementing the CESR standards in this respect. Currently the Ministry of Finance is concentrating on negotiations of the new ISD proposal and is therefore not giving a new project in this sector a preference.
FRANCE	Parliament, AMF	Article 533-10 of the MFC and article 21 of COB Regulation 96-03	
GERMANY		See 1	See 1
GREECE		Article 6 of the Decision of the Hellenic Capital Market Commission no 16/262/6-2-2003 applies.	
ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	<u>COC, Section 2</u> As at 26, Part A above.	
ITALY	CONSOB	Article 23, paragraph n. 1, of Legislative decree n. 58/1998 <i>(Contracts)</i> °°° Article 24 of Legislative decree n. 58/1998 <i>(Management of investment portfolios)</i> °°° Article 31 paragraph n. 1, of Consob Regulation 11522 <i>(Relationships between intermediaries and special categories of investor)</i> °°° Article 30 of Consob Regulation 11522 <i>(Contracts with investors)</i> °°° Article 37 of Consob Regulation 11522	Consob has already published for consultation a revision of its regulation n. 11522 of 1 July 1998 on investment services in the securities field to clarify the specific obligations arising from the general principles laid down in the provisions at present in force. Still professional clients can opt, already at present, for the level of protection afforded to retail customers.

<i>(Contracts with investors)</i>			
LUXEMBOURG	CSSF	As principle 5.3. requires that there shall be a contract between parties in case of portfolio management, the contract must be by itself signed by the concerned parties.	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	
NORWAY	Parliament	STA, section 11-2. Not required that both parties to the contract sign the commercial terms.	Partly implemented
PORTUGAL		SC art 335	The CMVM verifies if the general contractual clauses to be adopted by the financial intermediary are complying with the regulations not only during the registration procedures, but also during the on-site supervisions.
SPAIN	Ministry of Economy/CNMV	Ministerial Order, dated 7 October 1999, implementing the General Code of Conduct and rules of action for portfolio management. Article 2. Principles and duties of General Conduct. Article 4. Customer Agreement for portfolio management. Circular 2/2000 about form models of standard customer agreement for discretionary and individual portfolio management and other development of Ministerial Order, dated 7 October 1999, implementing the General Code of Conduct and rules of action for portfolio management. Annex.	
SWEDEN	Finansinspektionen		Specific rules concerning the professional regime have not been implemented. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.
UNITED KINGDOM	FSA	COB 4.2.5R (Requirement to provide terms of business to a customer) requires a firm to provide a customer with an agreement setting out the basis on which the discretionary portfolio management service is to be provided to the customer. COB 4.2.10R (Adequate detail) provides that a firm must ensure that this agreement sets out in adequate detail the basis on which the portfolio management services are to be provided. COB 4.2.15E (Content of terms of business provided to a customer: general content) and COB 4.2.16E (Content of terms of business provided to a customer: managing investments on a discretionary basis) provide detailed non-exclusive guidance on the content of such agreements.	In the case of an intermediate customer, such agreement must only be provided within a reasonable period of the firm beginning to provide the portfolio management services to the customer. A signed agreement is only required for private customers.  The requirement in COB 4.2.5R does not apply where the client is an MCP. However, see the comments in relation to paragraph 23 above in relation to agreement requirements for MCPs.
CYPRUS	Cyprus Securities and Exchange Commission and the Central Bank of Cyprus	Sections 17(1) and 23(3) of the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003	
CZECH REPUBLIC			There is no special regime for “professional clients” of investment firms in the Czech law. There are only exemptions from the

			general investment firm – client regime for “institutional investors” defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.
ESTONIA	The EFSA	Guideline.	
HUNGARY			All rules, regulations and comments - which were presented at the presentation of the retail regime - should be applied for the “ <b>professional regime</b> ”.
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA	MFSA	The SLC 3.06 in Part C1 of the ISG requires that a written customer agreement is entered into with clients, particularly when discretionary portfolio management services are provided by an Investment Firm. Furthermore, this SLC specifies the contents of the Customer Agreement, requiring additional disclosure to be included specific to the provision of portfolio management services.	
POLAND	Parliament	There is a general rule in Polish law system which requires conclusion a contract before starting providing any kind of service on a professional basis. (Civil Code’s provisions) There is a draft of a new Polish Law on Public Trading of Securities prepared which includes a delegation for issuing by Council of Ministers the decree concerning inter alia conduct of business rules. The decree is going to expressly establish such a restriction.	30 September 2003 draft approved by the Council of Ministers whilst its entry into force envisaged for 1 May 2004.
SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 73	An investment firm is obliged to keep money and securities entrusted by clients in bank accounts and owners accounts separately from bank accounts and owners accounts in which it keeps money and securities constituting its asset. A client’s assets entrusted to an investment firm with the purpose of executing instructions of a client or for portfolio management are not a component of asset of the investment firm. An investment firm may not use entrusted finances and investment instruments of clients for its own benefit or for the benefit of third parties. An investment firm may not carry out transactions with client property with the principal objective of earning a commission.
SLOVENIA	SMA	Please see point 116 of the Retail Regime.	

Standard 35			
<i>An investment firm must take all reasonable steps necessary to ensure the independence of the portfolio management function and mitigate the risk of customers' interests being harmed by any conflict of interest, in particular by providing for the strict separation of functions within the investment firm and its group.</i>			
Country	Implementing Authority(ies)	Implementing Measure <sup>43</sup>	Comments
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees proposed by the Minister of Finance CBFA circulars	Art. 36, § 1, 6° L. 6 April 1995 Art. 62, L 6 April 1995 Art. 79 L 6 April 1995 Art. 20 Royal Decree 5 August 1991 on portfolio management Circular 92/4 of 14 August 1992 to banks on portfolio management	To come into effect later: Art. 26, 4° and 27 § 1, L. 2 August 2002. Further implementing measures can be taken on the basis of Art. 26, 17°, 28, § 1, 5° and 146, L. 2 August 2002. See also Article 28, 1°, L. 2 August 2002 which provides that the secondary regulations implementing the high level conduct of business rules as referred to in the Law can be differentiated depending on the categorization as a professional investor or not.  CBFA Consultation Document aims at transposing the CESR-principles and rules as referred to in the professional regime.
DENMARK	Parliament  Danish Financial Supervisory Authority	Financial Business Act, section 71, par. 1, no 3 , section 72, par 1 no 2  Guidance for investment companies on Financial Business Act, section 15. (The above mentioned rules states that investment firms should organise and structure the business in such a way as to minimise the risk of conflicts of interest and provide the necessary segregation of functions	The regulation applies to all types of separation of functions and not specifically to portfolio management.
FINLAND	Parliament Rahoitustarkastus	Chapter 4, Section 4, Paragraph 3 of the Securities Markets Act Rahoitustarkastus Guideline on Practices to be applied in the Provisions of Investment Services (201.7) and Guideline on Segregation of Securities Business Functions (201.12).	
FRANCE	Parliament, AMF	Article 533-11 of the MFC Articles 2 and 3 of COB Regulation 96-03	The legislative provision refers to the shareholders and senior management of the investment firm; it does not refer to the separation of functions. The COB provisions require the separation of functions and business lines.
GERMANY		See 1	See 1
GREECE		Article 2 para 3 of the Decision of the Hellenic Capital Market Commission no 16/262/6-2-2003 applies.	
ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	<u>GS&amp;RR Section 2</u> As at 135, Part A above.	
ITALY	CONSOB	Article 21, paragraph n. 1, a) and d) of Legislative decree n. 58/1998 <i>(General criteria)</i>	

<sup>43</sup> Any derogation to the application of the implementing measures should be mentioned.

		<p style="text-align: center;">°°°</p> <p style="text-align: center;">Article 26, paragraph n. 1, a), b) and c) of Consob Regulation 11522 of 1 July 1998 <i>(General rules of conduct)</i></p> <p style="text-align: center;">°°°</p> <p style="text-align: center;">Article 27, paragraph n. 1, of Consob Regulation 11522 <b><i>(Conflicts of interest)</i></b></p> <p>°°°</p> <p style="text-align: center;">Article 56, paragraph n. 2 a), 3 and 4 of Consob Regulation 11522 <i>(Internal procedures)</i></p> <p style="text-align: center;">°°°</p> <p style="text-align: center;">Bank of Italy regulation of 4 august 2000 Title III – Supervision; Chapter II – 4. Rules relating to administrative and accounting procedures</p> <p>The service of management on a client-by-client basis of investment portfolios (hereinafter “<i>portfolio management</i>”) shall be kept separate from the other investment services and activities of the intermediary.</p> <p>The portfolio management may be provided jointly with the service of investment advice concerning financial instruments. For this purpose the investment firm must comply with the following rules:</p> <p>a) administrative rules:</p> <ul style="list-style-type: none"> <li>- personnel assigned to portfolio management shall act independently and shall not have hierarchical relationships with the other sectors of activity of the investment firm;</li> <li>- portfolio management shall not have hierarchical relationships – especially with reference to technical, operational and decision-making autonomy - with the other sectors of activity of the investment firm, included those providing other investment services;</li> <li>- relationships between portfolio management and other services shall begin at the exclusive initiative and under the responsibility of the former;</li> </ul> <p>b) accounting rules:</p> <ul style="list-style-type: none"> <li>- the records, included electronic ones, of the portfolio management structure shall be guarded to prevent the personnel of other sectors of the intermediary from accessing;</li> <li>- the financial instruments’ transactions between the portfolio management sector and the other business sectors shall be displayed in specific internal records.</li> </ul> <p>The aforementioned rules of separation shall not apply to the operational sectors of the investment firm charged solely with the contact of the customers and only if such activity is performed without discretionary powers.</p> <p>Compliance with the aforementioned rules of administrative and</p>	
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		<p>accounting separation does not prevent the investment firms from centralizing the administrative procedure of the general services (such as, for instance, the back office services) and the general accounting function.</p> <p>ooo</p> <p>Article 31 paragraph n. 1, of Consob Regulation 11522 <i>(Relationships between intermediaries and special categories of investor)</i></p>	
LUXEMBOURG	CSSF	As principle 6.1. of the circular CSSF 2000/15 requires that the professional shall enforce a strict segregation of functional and business units where conflicts of interest may arise, an investment firm complies thus with principle 35.	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	no legislative authority for AFM
NORWAY	Parliament	STA, section 9-1 para 1 No. 5 (An investment firm must be organised in such a way that the risk of conflicts of interests are minimised)	
PORTUGAL		SC article 304 ss.	
SPAIN	Ministry of Economy/CNMV	Ministerial Order, dated 7 October 1999, implementing the General Code of Conduct and rules of action for portfolio management. Article 3. Information about conflict of interest.	
SWEDEN	1) Parliament 2)Finansinspektionen	1) The Securities Business Act (1991:981), Chap 1 Section 7 See A 135 2) Regulation on Conduct of Business rules (2002:7), Chap 2 Section 1-2 (no specific rules for portfolio management) See A 135	Specific rules concerning the professional regime have not been implemented. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.
UNITED KINGDOM	FSA	<p>Principle 1 (Integrity)</p> <p>Principle 8 (Conflicts of interest) requires investment firms to manage conflicts of interest between the firm and its customer and between one customer and others fairly.</p> <p>COB 7.1 (Conflict of interest and material interest) Under COB 7.1.3, if a firm has:</p> <ul style="list-style-type: none"> <li>• a material interest in a transaction to be entered into with or for a customer;</li> <li>• a relationship that gives rise or may give rise to a conflict of interest in relation to such a transaction;</li> <li>• an interest in a transaction that is or may be in conflict with the interest of any of the firm's customers; or</li> <li>• customers with conflicting interests in respect of a transaction, it must not knowingly deal in the exercise of a discretion in relation to that transaction unless it takes reasonable steps to ensure fair treatment for the customer.</li> </ul> <p>COB 7.1.4 indicates that any one or more of the following four</p>	<p>Principle 8 does not apply where the client is an MCP. However, as a matter of general law, a portfolio manager will have a fiduciary relationship with its client and will therefore be subject to a prima facie fiduciary obligation to ensure that no conflict arises between its interests and those of its client. As a matter of general law, such obligations can be modified (for example, by agreement between the client and the firm). However, if these obligations are not modified and the firm contravenes them, it may also breach Principle 1, which requires the firm to conduct its business with integrity.</p> <p>There is no strict requirement for the segregation of the portfolio management function. However, most firms do separate it to ensure compliance with FSA Rules and to protect themselves from civil and criminal claims under the general law (eg in relation to insider dealing, market abuse and breach of fiduciary duty).COB 7.1 only applies where there is a transaction to be entered into with or for a customer.</p> <p>COB 7.1 does not expressly require the segregation of functions in</p>

		<p>'reasonable steps' can be used to manage conflicts of interest:</p> <ul style="list-style-type: none"> <li>• disclosure of the interest to the customer;</li> <li>• relying on a policy of independence;</li> <li>• the establishment of Chinese walls; and</li> <li>• declining to act for a customer.</li> </ul> <p>COB 7.1 does not apply where the client is an MCP.</p>	<p>the same way as the CESR Standards/Rules.</p> <p>In practice, most investment managers will rely on segregation and Chinese walls to separate their investment management functions from other functions (such as corporate finance and proprietary trading). They do this to take advantage of the rules on control of information in COB 2.4.4 in the context of restrictions on the misuse of information (market abuse and insider dealing) and because of the general law on fiduciary obligations and Chinese walls.</p>
CYPRUS	Cyprus Securities and Exchange Commission and the Central Bank of Cyprus	Paragraph 1 of Part II of Annex 10 of the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003.	
CZECH REPUBLIC			There is no special regime for “professional clients” of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for “institutional investors” defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.
ESTONIA	The EFSA	Guideline.	
HUNGARY		See comments for paragraph 34.	
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA			No specific requirements for the separation of the management function within the Investment Firm and its group exist. However, various conditions regarding the management of potential conflicts of interest apply – please see replies to St. 5, 15, 33, 35 above.
POLAND	Council of Ministers for the decree Parliament for the law	<p>The Decree of Council of Ministers dated April the 15<sup>th</sup> 2002 on Determining the Technical and Organizational Conditions Required of Certain Entities to Conduct Brokerage Activity and of Banks to Keep Securities Accounts, determines the organisational requirements that brokerage house has to meet in order to ensure the independence of the portfolio management functions. The decree mentioned above requires conducting an offering activity at different organizational unit than the activity of portfolio management. (Par. 3.1)</p> <p>According to Art. 40.2 oh The Law on Public Trading of Securities entity applying for the permit for providing brokerage activities is obliged to provide PSEC with the organisational structure and all adequate internal procedures. Every change of procedures mentioned above has to be notified to PSEC.</p> <p>There is also a draft of a new Polish Law on Public Trading of Securities prepared which includes a delegation for issuing by</p>	<p>Polish Securities and Exchange Commission is responsible for drafting</p> <p>30 September 2003 draft approved by the Council of Ministers whilst its entry into force envisaged for 1 May 2004.</p>

		Council of Ministers the decree concerning inter alia conduct of business rules. The decree is going to expressly establish such obligations.	
SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 71, 73	
SLOVENIA	SMA	Please see point 135 and 138 of the Retail Regime.	

Standard 36		<i>An investment firm must send periodic statements to its portfolio management customers so as to enable them to assess the performance of the service.</i>	
Country	Implementing Authority(ies)	Implementing Measure <sup>44</sup>	Comments
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees proposed by the Minister of Finance  CBFA circulars	Prudential policy of the CBFA recommends to send periodic statements.	CBFA Consultation Document aims at transposing the CESR-principles and rules as referred to in the professional regime.
DENMARK			The Ministry of Economic and Business Affairs is the competent Authority for deciding on the further implementation. The Danish Financial Supervisory Authority has approached the Ministry of Economics and Business Affairs in that regard
FINLAND	Parliament	No provisions available	The Chapter 4, Section 4, Paragraph 2 of the Securities Markets Act states clearly that the duty to notify the customer of information on the investment service and the securities forming the object thereof which may have a material effect on the decision-making of the customer does not apply to an investment firm when the client is a professional investor. Rahoitustarkastus has been in dialogue with the Ministry of Finance in implementing the CESR standards in this respect. Currently the Ministry of Finance is concentrating on negotiations of the new ISD proposal and is therefore not giving a new project in this sector a preference.
FRANCE		Article 23 of COB Regulation 96-03	
GERMANY		See 1	See 1
GREECE		Article 7 of the Decision of the Hellenic Capital Market Commission no 16/262/6-2-2003 applies.	We believe that article 7 of the Rule mentioned in our initial response implements the relevant standard.
ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	<u>COC, Section 17.1</u> As at 26, Part A above.	
ITALY	CONSOB	Article 62, paragraph n. 2 of Consob Regulation 11522 <i>(Periodic reports)</i> ○○○ Article 31 paragraph n. 1, of Consob Regulation 11522 <i>(Relationships between intermediaries and special categories of investor)</i>	Consob has already published for consultation a revision of its regulation n. 11522 of 1 July 1998 on investment services in the securities field to clarify the specific obligations arising from the general principles laid down in the provisions at present in force. Still professional clients can opt, already at present, for the level of protection afforded to retail customers.

<sup>44</sup> Any derogation to the application of the implementing measures should be mentioned.

LUXEMBOURG	CSSF	As principle 5.9. of the circular CSSF 2000/15 requires that the professional shall forward to the client all confirmations and other information regarding transactions performed and the effective state of affairs of the portfolio without undue delay and at reasonable intervals according to the nature of the investments concerned, an investment firm must send periodic statements to its portfolio management customers so as to enable them to assess the performance of the service.	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	
NORWAY	Parliament	No such provision	
PORTUGAL		CMVM Regulation 12/2000 article 71	
SPAIN	Ministry of Economy/CNMV	Ministerial Order, dated 7 October 1999, implementing the General Code of Conduct and rules of action for portfolio management. Article 3. Information about conflict of interest.  Circular 2/2000 about form models of standard customer agreement for discretionary and individual portfolio management and other development of Ministerial Order, dated 7 October 1999, implementing the General Code of Conduct and rules of action for portfolio management. Annex.	
SWEDEN	Finansinspektionen	Regulation on Conduct of Business rules (2002:7), Chap 5 Section 5 Sec A 129	The provision concerns all customers, not just portfolio management customers Specific rules concerning the professional regime have not been implemented. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.
UNITED KINGDOM	FSA	Principle 7 (Communications with clients). COB 8.2.4 (Requirement for a periodic statement)	Firms are obliged to send out statements about the value and composition of the customer's portfolio at suitable intervals. COB 8.2.4 does not apply where the client is an MCP.
CYPRUS	Cyprus Securities and Exchange Commission and the Central Bank of Cyprus	Paragraph 2 of Part V of Annex 10 of the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003	
CZECH REPUBLIC			There is no special regime for "professional clients" of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for "institutional investors" defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.

ESTONIA	The EFSA	Guideline.	
HUNGARY		See comments for paragraph 34.	
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA	MFSA	The following SLCs in Part C1 of the ISG refer: 3.05(j) The Investment Firm shall account to customers, in general at least once every six months or as otherwise agreed with the customer, on the performance of a portfolio the Investment Firm is managing; (for further details relating to such periodic statements please refer to SLC 8.02 to 8.04);  8.02 Periodic Statements on the performance of a customer's portfolio which the Investment Firm is managing – required in terms of SLC 3.05(j) – should be sent to the client within 25 business days after the date to which it is drawn up. 8.03 specifies the contents to be included in the Periodic Statement referred to in 8.02. 8.04	
POLAND	Parliament for the law Council of Ministers for the decree	There is a draft of a new Polish Law on Public Trading of Securities prepared which includes a delegation for issuing by Council of Ministers the decree concerning inter alia conduct of business rules. The decree is going to expressly establish such obligations.	Polish Securities and Exchange Commission is responsible for drafting and the Council of Ministers for approving 30 September 2003 draft approved by the Council of Ministers whilst its entry into force envisaged for 1 May 2004.
SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 73	Investment firm is obliged to report to the client without undue delay any transactions concluded of his behalf.
SLOVENIA	SMA	Please see point 129 of the Retail Regime.	

Standard 37	<p><i>The investment firm must ensure that its orders are executed as efficiently as possible and in particular that:</i></p> <p><i>a) orders issued are immediately recorded by the firm;</i></p> <p><i>b) transactions executed are recorded and the portfolios affected are adjusted as quickly as possible;</i></p> <p><i>c) the portfolios affected and the relevant amounts are determined, or objectively determinable, no later than the time at which the order is issued and cannot be changed, except for the purposes of rectifying an error, after the execution of the order, regardless of whether the order relates to one or more accounts.</i></p>		
Country	Implementing Authority(ies)	Implementing Measure <sup>45</sup>	Comments
AUSTRIA			See Standard 1.
BELGIUM	Parliament and Royal Decrees proposed by the Minister of Finance  CBFA circulars	Art. 62, L 6 April 1995 (general principle of adequate organisation). Circular 92/4 of 14 August 1992 to banks on portfolio management	To come into effect later; Art. 26, 8°, 9° and 10° (enabling extensive secondary regulation). See also Article 28, 1°, L. 2 August 2002 which provides that the secondary regulations implementing the high level conduct of business rules as referred to in the Law can be differentiated depending on the categorization as a professional investor or not.  CBFA Consultation Document aims at transposing the CESR-principles and rules as referred to in the professional regime.

<sup>45</sup> Any derogation to the application of the implementing measures should be mentioned.

DENMARK	Parliament  Danish Financial Supervisory Authority	Financial Business Act, section 71, par. 1, no 1 and no 2  Guidance for investment companies on Financial Business Act, section 15. (The above mentioned rules state that investment firms should have internal business procedures on recording an allocation of orders)	Implemented in general terms
FINLAND	Parliament Rahoitustarkastus	Chapter 4, Sections 1 and 6 of the Securities Markets Act Rahoitustarkastus Guideline on Practices to be applied in the Provisions of Investment Services (201.7).	No detailed provisions as to points b and c yet. The Rahoitustarkastus regulations and guidelines are currently under general restructuring and revision. The need for specifying provisions concerning the conduct of business rules is under discussion in that project. The consultation paper is scheduled to be sent out in early 2004.
FRANCE	AMF	No specific implementing measure identified.	These requirements are implicit in the content of the programme of operations of the firm (cf. article 1-14 of the COB Instruction).
GERMANY		See 1	See 1
GREECE		Section 9.1. of the Code of Conduct applies.	
ICELAND	Parliament		See Standard 1.
IRELAND	IFSRA	<u>COC, Section 7.3</u> As at 91, Part A above. <u>COC, Section 15</u> As at 97, Part A above. <u>B&amp;RR General Principles</u> As at 140 Part A above.	
ITALY	CONSOB	Article 43, paragraph n. 3 and 4, of Consob Regulation 11522 <i>(Supply of the service)</i> ○○○ Article 63, paragraph n.1, 2 and 3 of Consob Regulation 11522 <i>(Recording of orders and transactions)</i>	Consob has already published for consultation a revision of its regulation n. 11522 of 1 July 1998 on investment services in the securities field to clarify the specific obligations arising from the general principles laid down in the provisions at present in force.
LUXEMBOURG	CSSF	As the different principles laid down in the circular CSSF 2000/15 are very broadly written, an investment firm shall comply with the principle 37.	
NETHERLANDS	Ministry of Finance or AFM: deliberations are pending	uncertain: depending on outcome of deliberations with ministry of finance	
NORWAY	Parliament	STA, section 9-1, para 1 No. 1 (firms are required to have satisfactory routines for administration, accounting and control) and No. 4. (firms must record all transactions). STA section 9-2 para 1 No. 1 orders must be executed with due care and dispatch). STA section 9-2 para 1 first sentence (good market practice must be observed).	
PORTUGAL		SC articles 304 ss and 325 ss	
SPAIN	Ministry of	Circular 3/1993, dated 29 December, regarding the record of	

	Economy/CNMV	transaction and order support archive. Rule 2 “Order Support Archive” Rule 3 “General rules regarding the record of transactions”	
SWEDEN	Finansinspektionen		Specific rules concerning the professional regime have not been implemented. Finansinspektionen follows a timetable for gradual implementation of the standards and rules. The first step was taken during 2002 with the implementation of some of the rules and the next step is due during 2004 when additional standards and rules will be implemented. The final step towards full implementation will start during 2004.
UNITED KINGDOM	FSA	COB 7.6 (Timely execution) COB 7.6.4R requires the execution of a current customer order as soon as reasonably practicable unless the firm has taken reasonable steps to ensure that postponing the execution of that order is in the best interests of the customer.	The definition of a “current customer order” includes a decision by a portfolio manager to trade immediately or a decision by an investment manager to trade following the fulfilment of a condition, once that condition has been fulfilled. COB 7.6.4R does not apply where the client is an MCP.
		COB 7.12.3R (Record keeping requirement) provides that a firm must ensure by the establishment and maintenance of appropriate procedures that it promptly records adequate information in relation to its decision to execute orders when it acts as a portfolio manager. COB 7.12.6E (1) (Minimum content of customer order and execution records)	COB 7.12 does not apply where the client is an MCP.
		COB 7.12.3R (Record keeping requirement) provides that a firm must ensure by the establishment and maintenance of appropriate procedures that it promptly records adequate information in relation to the execution of orders that it has decided to effect when acting as a portfolio manager. COB 7.12.6E (2) & (3) (Minimum content of customer order and execution records)	COB 7.12 does not apply where the client is an MCP.
		COB 7.7.5R and 7.7.6E (Requirement for timely allocation) COB 7.7.5R provides that where a firm has aggregated a customer order with the orders of other customers and part or all of the aggregated order has been filled, it must promptly allocate the designated investments concerned. COB 7.7.6E indicates that depending on the circumstances, such allocation must take place between one to five business days after the transaction takes place	COB 7.7 does not apply where the client is an MCP.
CYPRUS	Cyprus Securities and Exchange Commission and the Central Bank of Cyprus	Paragraphs 4 – 7 of Part III of Annex 8 and Part V of Annex 10 of the Code of Business Conduct for Investment Firms and the Natural Persons employed by them, Directive 1/2003	
	Cyprus Securities and Exchange Commission	Paragraph 2.3.2A of Annex 1 of the Conditions for granting Authorisation to Cypriot Investment Firms, Directive 1/2002	
	Cyprus Securities and	Sections 6(7) and 8(2)(a) and Paragraph 2.3 of Part III of Annex 1	

	Exchange Commission	of the Directive on Books and Records to be kept by the Cyprus Investment Firms	
CZECH REPUBLIC			There is no special regime for “professional clients” of investment firms in the Czech law. There are only exemptions from the general investment firm – client regime for “institutional investors” defined in Sect. 5 (1) of the Czech Securities Commission Act (No. 15/1998 Coll. – attached) stated in the Sec. 25 (1) of the Decree by the Czech Securities Commission Stipulating Detailed Organisation Rules for the Internal Operations of Brokerage Houses and Detailed Rules for the Conduct of Brokerage Houses in Relation to Consumers.
ESTONIA	The EFSA	Guideline.	
HUNGARY		See comments for paragraph 34.	
LATVIA			See Standard 1.
LITHUANIA			See Standard 1.
MALTA	MFSA	SLCs 8.06a, 3.03a in Part C1 of the ISG	
POLAND	Parliament for the law Council of Ministers for the decree	There is a draft of a new Polish Law on Public Trading of Securities prepared which includes a delegation for issuing by Council of Ministers the decree concerning inter alia conduct of business rules. The decree is going to expressly establish such obligations.	Polish Securities and Exchange Commission is responsible for drafting and the Council of Ministers for approving 30 September 2003 draft approved by the Council of Ministers whilst its entry into force envisaged for 1 May 2004.
SLOVAKIA	MF FMA	Act No 566/2001 on Securities and Investment Services Article 73	
SLOVENIA	SMA	Please see point 140 of the Retail Regime.	