FINANCE FINLAND

18.3.2025

Finance Finland's response to ESMA consultation on draft RTS for the establishment of an EU code of conduct for issuer-sponsored research

Question 1: Are you aware of or adhering to another code of conduct for issuer-sponsored research that ESMA could take into account? If so, which specific parts of the code of conduct would be of added value to consider for the EU code of conduct? Please state the reasons for your answer.

There is no such code in Finland nor are we aware of any other code in the EU.

Question 2: Do you agree with the proposed approach? Please state the reasons for your answer

Yes, we agree.

Question 3: Do you agree to mainly focus the requirements on research providers? Or do you think that additional requirements are necessary for issuers? Please state the reasons for your answer.

We agree.

Question 4: Do you agree with a minimum initial term of the contract of two years? Or should the initial term be more, or less? Or should the code of conduct allow one-off reports, such asfor initial public offerings? Please state the reasons for your answer.

Yes, we agree with proposed initial term. Regarding the question on one-off reports, we don´t think that they should be facilitated. Especially on IPOs, we think that it is important to ensure appropriate research coverage for newly listed companies. Allowing one-off reports bears the risk of misguiding investors. Listing involves costs in any case, so committing to research for two years is not unreasonable.

Question 5: Do you agree with a minimum upfront payment of 50% of the annual remuneration? Or should that percentage be more, or less? Please state the reasons for your answer.

In principle we agree. However, a possible alternative could be to require a binding payment schedule. This would limit the burden for issuers.

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Question 6: Do you agree with the information listed in Clause 7 of the code of conduct that research providers should make available to investment firms? Is there anything missing? Please state the reasons for your answer.

We find the obligation in Clause 7 section 1. a) to share the agreement between the issuer and the issuer-sponsored research provider to investment firms too broad, as it can be interpreted as an obligation to disclose confidential information on the customer relationship between the issuer and the research provider to third parties. Disclosure could constitute a violation of bank secrecy obligations. We propose that such agreement should not be made available to investment firms as a whole, but only to the extend necessary to assess compliance.

Similarly due to bank secrecy obligations we firmly disagree with the obligation in Clause 3 Section 2 e) to include information on the client relationship between the issuer and the issuer-sponsored research provider to issuer-sponsored research. A bank providing issuer-sponsored research services cannot disclose information on client relationships to third parties. For example, due to requirements to separate certain functions to avoid conflicts of interests, information on the client relationship of the issuer (the importance nor content of the client relationship) cannot be disclosed to the analyst team providing issuer-sponsored research. Thus, Clause 3 Section 2 e) would result to an obligation that cannot be met. We propose Clause 3 Section 2 e) to be deleted.

Question 7: Do you agree that only when the issuer paid fully for the research, it should be made accessible to the public immediately? Or should research partially paid for by the issuer also be made accessible to the public immediately? Please state the reasons for your answer.

We agree with the proposal to only make research fully paid by the issuer accessible to the public immediately. However, to avoid any misinterpretation on the clause, a more detailed definition for the term "fully paid research" is required. For example, issuer-sponsored research that is partly paid through profits generated from the distribution of the research should not be regarded as fully paid by the issuer. Additionally, the requirement to make research fully paid by the issuer accessible to the public should only cover the latest report of the issuer-sponsored research, not all reports concerning the issuer.

Question 8: Do you think that any further requirements should be introduced in the code of conduct? Please state the reasons for your answer.

We would like to comment on the obligation in Clause 2 Section 3. h) to separate research analysts that are involved in commercial solicitation and those providing the issuer-sponsored research. It is of common practice to divide clients by industry between analysts. As commercial solicitation requires knowledge on the industry of

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the issuer, the analyst conducting research in the industry must be included in the commercial solicitation process as well. To ensure alignment with the code of conduct, deletion of the requirement in Clause 2 Section 3. h) or specific mention to allow participation in commercial solicitation is required, for example through elaboration on the “appropriate measures” mentioned.

From the point of view of an investment firm using issuer-sponsored research, we generally find it important to ensure the objectivity of such research, especially in relation to any price targets and ‘buy’, ‘sell’ or ‘hold’ recommendations contained in such research and therefore support ESMA’s view on including the clarification regarding investment recommendations regulated under MAR in Recital 4 of the proposal as well as other proposed measures to manage conflict of interests (however, taking into account the views presented above). In addition, we are of the view that in order to enhance objectivity and transparency, ESMA could consider whether Clause 3 of the Annex should also contain a requirement to specifically disclose in a separate statement whether the issuer-sponsored research has been fully paid by the issuer or whether also investors have contributed to the payment.