

Ethical Norms for members of the Norwegian Securities Dealers Association

Chapter 1 Objective and scope of application

Article 1-1 Objective and basic principles

The objective of the Ethical Norms is to contribute to advisory services and trading in financial instruments taking place in a proper manner where the interests of all parties are taken care of. Everyone within the scope of the Norms shall act in a manner that will further confidence in the stock market.

The Ethical Norms are based on the following fundamental principles:

1. A member firm in carrying out its activities shall act honestly, correctly and loyally in the interest of its clients and with due consideration to the integrity of the market.
2. In the interest of its clients and having in mind the integrity of the market, a member firm shall carry out trading with the competence, care, interest and speed that are necessary.
3. A member firm shall have and effectively exploit the resources and procedures that are necessary for it to carry out its activities in a satisfactory manner.
4. A member firm shall make sure of obtaining such information on its clients' financial status, investment experience and objectives as is relevant for the services requested.
5. In negotiations with its clients, a member firm shall provide relevant information in a suitable manner.
6. A member firm shall endeavour to ensure that conflicts of interest do not arise, and when such cannot be avoided, to ensure that the company's clients are treated in a reasonable and correct manner.
7. A member firm shall comply with all current regulations governing its activities so that the clients' interests and the integrity of the market are promoted as far as possible.

The Ethical Norms supplement and complement the above rules and basic principles.

Article 1-2 Scope of application

The Ethical Norms apply primarily to the Association's member companies and their employees. They also apply to those holding positions of trust with member companies and persons and companies which, through ownership or in another way, have a decisive influence over a member firm through their instructions/guidelines to the member firm. As a common term for employees, holders of positions of trust, and owners, the word "broker" is used in these Norms.

These Norms apply to member companies' activities in accordance with the special legal basis for the activity that follows from relevant legislation, including the entire body of rules pursuant to the Securities Trading Act, the Securities Registry Act and the Stock Exchange Act.

Member companies shall ensure that brokers, on engagement or taking office, receive a copy of these Ethical Norms for member firms and are briefed on their content. Member companies shall ensure that brokers carry out their business in accordance with these Norms and live up to them.

When applying these Ethical Norms, emphasis shall be placed on whether the client is a professional or non-professional investor. When carrying out assignments for professional investors, it is assumed that these have a special obligation, and the prerequisites needed, to take care of their own interests.

Chapter 2 Relationship to the law and other regulations

Article 2-1 General

Advisory services and trading in financial instruments shall not only comply with the letter of the law, but also with the intentions of currently valid legislation, and with the principles for generally accepted business practice.

Brokers shall make themselves acquainted with the legislation and regulations that apply at any time to advice relating to and trading in financial instruments, and shall be capable of informing the client of significant regulations that apply to trading in financial instruments. If the member firm has special business terms and conditions, the client shall be informed of these.

Chapter 3 Client relationships

Article 3-1 General

Brokers shall not encourage clients to buy or sell purely to achieve the highest possible profit for themselves.

To the extent practically possible, brokers shall provide all clients with the best possible advice irrespective of whether the client is professional or non-professional. No client shall be refused, unless there are good grounds. If a client is refused, he/she is entitled to be given the grounds.

Brokers shall not try to achieve business in trading securities by granting or indicating personal financial benefits or the like to people who act on behalf of a company or another person. Member companies or brokers must not give gifts, benefits, or provide services of a nature or size that can result in an undesirable state of dependency between the client and the member firm or the broker.

Member companies shall ensure that they have internal guidelines governing the company's and the brokers' treatment of clients. These guidelines shall include, i.a. rules on the brokers' obligation to make a written report on the value of gifts, benefits, or services that are given or provided to a client, if the gift, benefit, or service has a value which exceeds the member firm's pre-set amount.

Article 3-2 Advisory services

When acting in an advisory capacity, a broker shall avoid conflicts of interest between the interests of the member firm and those of the client. In the event that the member firm has a particular interest above and beyond ordinary earnings, the broker shall advise of this interest.

A broker shall provide relevant and what is considered the best advice in connection with providing a service. Having the nature of the assignment in mind, the broker shall obtain the best basis possible for decision-making in association with the client.

Care shall be taken when giving advice, particularly advice on future development, and no guarantee shall be given regarding a definite outcome of an investment.

As far as possible, a broker shall indicate the general and special risks that may be linked to concrete transactions. Investments with latent obligations of partly unknown extent, margins, options and futures, forward transactions and other transactions which include an element of borrowing call for special guidance for the non-professional investor with regard to the special risks that are inherent in this type of trading.

Article 3-3 Portfolio managers

Orders from a client who normally deals on behalf of his/her employers or some other natural person or body corporate shall be refused if the client, when giving the order, does not clearly indicate whose account the order is for. Should the client give orders for his/her own account as well as for account of his/her employer or some other natural person or body corporate, the broker shall give first priority to those the client represents, e.g. by affecting the largest trade first.

Chapter 4 Special conditions relating to buying and selling

Article 4-1 General

Brokers shall not broker assignments for the sale of financial instruments unless the broker has reason to believe that that seller has the right to dispose of the financial instruments to be sold.

Brokers shall refrain from brokering purchases of financial instruments if there is reasonable ground for believing that the buyer's solvency is not proportional to the purchase to be made.

Brokers shall refrain from brokering purchases or sales of financial instruments if there are grounds to believe that the buyer's or the seller's intention with the purchase or sale is to achieve a gain (or avoid a loss) by dishonest means and which cannot be achieved through normal trading in financial instruments.

In connection with trading in financial instruments, a broker shall ensure that the trade is effected as quickly and effectively as possible. A broker shall not trade on terms that are obviously incorrect.

Should clients have given the broker a purchase assignment stating a price which is obviously too high compared to the market, the broker must make the client aware of this. The same applies if a client gives the broker a sales assignment stating a price that is obviously too low.

Article 4-2 Member companies as counterpart in transactions

Member companies may not enter into a transaction as a counterpart to the client if the broker can achieve better terms for the client by buying or selling to another member firm or client. This does not apply if the client requests, the broker to quote a price at which the member firm will either buy or sell the financial instruments in question and the client accepts this price,

Should the member firm decide to buy or sell financial instruments after a client has given an order to buy or sell the same financial instruments, the client's order shall be affected first. This does not apply if the member firm is organised in such a way that the brokers who trade for the member firm's own account shall not be cognisant of the orders from clients or if a specific price is stated in the client's order.

Chapter 5 The role of the broker

Article 5-1 General

The broker shall not act in a manner which might create doubt about the broker's position. If the broker acts in an advisory capacity for one party, the broker is obliged to advise the other party accordingly.

Brokers must at all times act as objectively as possible and never present incorrect or distorted information, or in any other way spread rumours that can have an impact on price movements. Should a broker become cognisant of rumours that are of a nature as can have a material impact on the movement in price on a regulated market (stock exchange), the regulated market (stock exchange) and the company in question shall be contacted so that the rumours can be confirmed or denied.

Brokers must not take steps to acquire a company without having received an assignment from a client. Nor may brokers accumulate securities for own account or for the account of others with a view to letting others exploit these in take-over situations or the like, in a manner that is dishonest or ethically unacceptable (greenmailing etc.).

Brokers may not represent and vote at general meetings of companies that are listed on the Stock Exchange as proxies for shareholders unless a specific mandate regarding the voting has been prepared.

Article 5-2 Professional loyalty

Towards the authorities, the press and others outside the profession, a broker shall always act in a manner that is supportive of the profession and its reputation.

Brokers shall not endeavour to harm a colleague or a competing company by spreading rumours or by incorrect, misleading, exaggerated or distorted information.

Article 5-3 Relations with other members of the Association

A broker shall contribute to ensuring that other member companies are not subjected to unnecessary delays in connection with trading in Norwegian or foreign financial instruments, and he shall contribute to limiting and remedying delays in the execution of transactions.

A broker who is an account operator in the Norwegian Registry of Securities (VPS) or a deposit taker for a client, shall not exploit a knowledge of that clients trading through other member companies in order to bring competition upon them.

Chapter 6 Trading for own account

Article 6-1 Internal rules

Member companies shall, by way of a set of rules or in some other manner, ensure that the employees trading in financial instruments for their own account or through bodies corporate and natural persons are not given priority before the interests of the clients.

Article 6-2 A broker's trading for own account

Member companies shall endeavour to ensure that brokers and other employees do not trade in financial instruments for their own account, or through natural persons or bodies corporate, to an extent that is obviously disproportionate with that person's financial status, nor trade in a manner or scope which could raise doubt as to whether the broker is taking care of the interests of the member firm or the clients.

Article 6-3 New issues

Member companies shall ensure that brokers and other employees do not seek special favours for themselves or closely related people by way of allotments in connection with new issues.

Preferably, subscription shall be made in issues where there are objective criteria for allotment. If the broker has an assignment to place financial instruments privately, subscription must not be made unless this has been expressly agreed with the issuer or seller in advance, and the price has been set so that there can be no doubt that the brokers was not given special favour.

Chapter 7 Operation of the member companies

Article 7-1 General

Member companies shall arrange their administrative and financial operations in such a manner that losses, if any, are charged to the member firm's book equity and the member firm's owners in accordance with generally accepted business custom.

Member companies shall make year-end allocations so that the individual member firms as far as possible build up adequate book equity.

All negative aspects of significance of a member firm's financial status shall be reported to the Banking, Insurance and Securities Commission as early as possible. Should the financial status or the member firm's competence develop in such a manner that clients or other member companies or securities companies could suffer loss, the Banking, Insurance and Securities Commission shall be immediately advised in order to decide whether operations are to be suspended.

Member companies shall ensure that all employees are given sufficient training to enable them to carry out their work in an acceptable manner.

Article 7-2 Authorisation of employees

Member companies are obliged to ensure that their employees have the relevant professional qualifications and otherwise meet the requirements regarding education and training that are or might be laid down by regulated marketplaces, clearing houses or the Association.

In order to ensure that the employees have satisfactory knowledge of the rules and regulations that apply to the business, including the Association's Ethical Norms and other regulations issued by the Association, the Association issues rules relating to the authorisation of employees in member companies.

The regulations regarding authorisation shall include rules governing the functions that shall be carried out by authorised employees, and details as to how the authorisation can be obtained or forfeited.

Authorisation is obtained by passing a test. One or more tests may be set corresponding to the different functions and levels.

The content of the test is decided by the Association, which is also responsible for arranging the test.

Authorisation granted is forfeited if the employee has not been engaged in the functions for which authorisation is required for a period of more than 18 months.

Under special circumstances, the Association's Executive Committee may grant exemption from the general rules governing authorisation.

The Association shall prepare a list of the people who have been granted authorisation.

Chapter 8 Amendments to the Ethical Norms

Article 8-1 Quorum

The Ethical Norms may be amended with the support of least 2/3 of the Association's member companies. Resolutions to make amendments shall be adopted by the General Meeting or following written procedure.