

Introduction to Conduct of Business Rulebook

This Rulebook contains the Conduct of Business Obligations to which the following Regulated Persons would be required to adhere in their day to day operations:

- i. Persons holding an investment services license within the meaning of the Investment Services Act, other than Alternative Investment Fund managers or persons licensed to act as custodians in relation to a collective investment schemes, in terms of the said Act and including a European investment firm which has established a branch in Malta in exercise of a European right in terms of the 'European Passport rights for Investment Firms Regulations' and a European management company which has established a branch in Malta in terms of the 'Investment Services Act (UCITS Management Company Passport) Regulations, in so far as it provides MiFID services in terms of Article 6(3) of the UCITS IV Directive or if it markets its UCITS in Malta;
- ii. Persons registered under the Investment Services Act (Tied Agents) Regulations, 2007;
- iii. Persons authorised to carry on the business of insurance under the Insurance Business Act, including a European insurance undertaking which has established a branch in Malta in exercise of a European right in terms of the 'European Passport Rights for Insurance and Reinsurance Undertakings Regulations';
- iv. Persons enrolled under the Insurance Intermediaries Act to act as insurance brokers, insurance agents, insurance managers or tied insurance intermediaries, including a European insurance intermediary which has established a branch in Malta in exercise of a European right in terms of the 'European Passport Rights for Insurance Intermediaries Regulations';
- v. Persons licensed as credit institutions under the Banking Act who sell or advise clients in relation to structured deposits.

The Rules contained in this Rulebook are essentially a transposition of the main EU Directives which apply in the area of Conduct of Business, namely the MIFID Directive (Directive 2014/65/EU) and the IDD (Directive 2016/97/EU) together with the respective Implementing Measures issued thereunder.

The contents of this Rulebook should be read in conjunction with the requirements of the:

- **Investment Services Rules for Investment Services Providers**
- **Insurance Rules**
- **Insurance Intermediaries Rules**

which prescribe the prudential requirements for the Regulated Persons in question and which are also binding on Regulated Persons.

Although the Rulebook includes Rules which bind insurance undertakings and insurance intermediaries, as defined in points (iii) and (iv) of the definition of Regulated Persons in the Glossary to this Rulebook, insofar as their conduct of business obligations are concerned, the Rulebook will not be applicable to such entities until further notice. Accordingly, the Conduct of Business Rulebook will be applicable with respect to Insurance Undertakings, Insurance Intermediaries from a date specified by the Authority. With respect to Ancillary Insurance Intermediaries the Rules contained in the Rulebook which would apply to such persons would also be specified at a later date.

With respect to Regulated Persons falling under points (i), (ii) and (iii) of the definition of Regulated Person in the Glossary to this Rulebook, the requirements of this Rulebook will start to apply as from the 1st January 2018.

Chapter 1

DISCLOSURES

Introduction

Disclosures should be made in a comprehensible form in such a manner that Clients are reasonably able to understand the nature and risks of the Service to be provided by the Regulated Person and of the type of Product that is being offered, and consequently to take decisions on an informed basis. Furthermore, any Advertisements issued by the Regulated Persons should be fair, clear and not misleading. Certain disclosures are to be made in good time prior to the provision of the Service or conclusion of the contract leading to the purchase of the Product, such that the Client has adequate time to process the information resulting from the disclosures made before deciding whether to purchase such Service or Product.

To this end, this Chapter deals with the disclosures a Regulated Person is required to make to a Client, and the manner in which a Regulated Person is required to communicate with Client. In particular, the Rules and Guidance contained in this Chapter aim to ensure that all material information about the Regulated Person itself and about the Products and Services which the Regulated Person provides or may provide to the Client, as well as any real or potential conflicts of interest, is duly disclosed.

Section 1: MEDIUM OF DISCLOSURE

Application

R.1.1.1 The Rules and any relative Guidance set out under the heading 'General Rule' shall apply to all Regulated Persons, except to affiliated insurance companies and to pure re-insurance companies.

General Rule

R.1.1.2 Where in terms of this Rule Book, information is required to be disclosed to Clients in a Durable medium, it shall be disclosed:

- (a) On paper;
- (b) In a clear and accurate manner, comprehensible to the Client;
- (c) In one of the official languages of Malta, or in any other language agreed by the parties;¹ provided that
 - i. The Statutory Notice to be provided to Clients in terms of the Insurance Business (Long Term Business Contract Statutory Notice) Regulations; and
 - ii. The Statutory Notice required in terms of Insurance Intermediaries Rule 7 – Code of Insurance Selling Practice (Long Term Business Notice)

are to be made out in both Maltese and English, in the case of Clients resident in Malta.

Provided that where the subject of the contract of insurance relates to the business of reinsurance or to large risks as defined by Article 5 of the Second Council Directive 88/357/EEC of the 22nd June 1988 on the coordination of laws, regulations and administrative provisions relating to direct insurance other than the life assurance and laying down provisions to facilitate the effective exercise of freedom to provide services and amends Directive 73/239/EEC, the information referred to in this rule shall be provided in English, or in any other language agreed to by the parties.

Provided further that in the case of insurance undertakings or insurance intermediaries, this Rule shall only apply where such Regulated Persons are providing personal line products, health or long term policies; and

(d) Free of charge.

R.1.1.3 The Regulated Person shall also ensure that any information provided pursuant to this Rule shall be up to date.

R.1.1.4 The Regulated Person shall warn the Client that in the case where the Application form, the Proposal Form or the Order form has also been drawn up in Maltese and an English version thereof has to be transmitted to an overseas party for final execution, the wording of the English version of the Order form or Application form shall prevail.

R.1.1.5 By way of derogation from R.1.1.2 (a), the Regulated Person may disclose to the Client, any information it is required to disclose in terms of this Rule Book in any one of the following means:

(a) Through a Durable medium other than paper, where the conditions laid down in R.1.1.7 are met; or

(b) By means of a website where the conditions laid down in R.1.1.8 are met.

R.1.1.6 Where information is required to be disclosed in a Durable medium, Regulated Persons shall have the right to provide that information, in a Durable medium other than on paper, only if:

(a) The provision of that information in that medium is appropriate to the context in which the business between the Regulated Person and the Client is, or is to be, carried on; and

(b) The person to whom the information is to be disclosed, when offered the choice between information on paper or in that other durable medium, specifically chooses the provision of the information in that other medium.

R.1.1.7 Where, in terms of this Rule Book a Regulated Person is permitted to disclose information to a Client by means of a website, and where that information is not addressed personally to the Client, the following conditions must be satisfied:

(a) The provision of that information in that medium is appropriate to the context in which the business between the Regulated Person and the Client is, or is to be, carried on;

- (b) The Client shall specifically consent to the provision of that information in that form;
- (c) the Client shall be notified electronically of the address of the website, and the place on the website where the information may be accessed;
- (d) The information must be up to date; and
- (e) The information must be accessible continuously by means of that website for such period of time as the Client may reasonably need to inspect it.

Where a Regulated Person communicates with a Client by means of a website, it must ensure that it has in place appropriate arrangements in order to record all the specific information disclosed to the Client by means of its website, including dated logs of such disclosures, in order to demonstrate that it has complied with all its regulatory requirements

Provided that tied insurance intermediaries shall not carry on tied insurance intermediaries activities through the internet, except with the consent of the Regulated Person to which it is tied.

R.1.1.8 Where the information to be disclosed in a Durable medium, is disclosed by the Regulated Person using a durable medium other than paper or by means of a website, a paper copy shall be disclosed to the Client upon request and free of charge.

R.1.1.9 For the purposes of R.1.1.7 and R.1.1.8, the provision of information by means of electronic communications shall be treated as appropriate to the context in which the business between the Regulated Person and the Client is, or is to be, carried on if there is evidence that the Client has regular access to the internet. The provision by the Client of an e-mail address for the purposes of the carrying on of that business shall be treated as such evidence.

Regulated Persons carrying on a Service through the Internet

R.1.1.10 Where in the course of carrying out a Service, a Regulated Person carries on such Service through the internet, the internet site shall satisfy the conditions indicated in R.1.1.11 which the Regulated Person is required to comply with when operating such site and should, as a minimum, include the information indicated under R.1.1.12.

R.1.1.11 Where the Service is carried on through the internet, the following conditions shall be satisfied at all times:

- (a) The Regulated Person assumes full responsibility for all information that is communicated or displayed on the internet site and of the overall quality of any such information communicated or displayed thereon;
- (b) The Regulated Person shall designate a senior officer to act as a main point of contact with the competent authority in respect of the said site. The designated person and any change of the designated person shall be immediately communicated to the competent authority;
- (c) The Regulated Person shall ensure that all data and information explained on the internet site is complete and constantly updated;
- (d) The Regulated Person shall ensure that the appropriate warnings and disclaimers can be viewed in the same browser format as the rest of the site so as to be visible to all visitors to the site;
- (e) The Regulated Person includes appropriate statements the Client or prospective Client is leaving the internet site and accessing another in cases where the internet site of the Regulated Person is hyperlinked to other sites.

R.1.1.12 The internet site, shall, as a minimum, include the following information:

- (a) The name, address and contact details of the Regulated Person;
- (b) A statement that such Regulated Person is authorised or enrolled to carry on the Service;
- (c) A list of the jurisdictions in which such Regulated Person is authorised or enrolled to carry on the Service.

The term “authorised” includes a Regulated Person establishing a branch or providing services in a Member State or an EEA State in exercise of a European right in terms of the European Passport Rights for Insurance and Reinsurance Undertakings Regulations, 2015;

- (d) Procedures for the submission of claims and a description of the claims handling procedure of the Regulated Person;
- (e) Contact details of the officer of the Regulated Person responsible for consumer complaints and information that complaints may be referred by the complainant to the Office of the Arbiter for Financial Services established under the Arbiter for Financial Services Act (Cap. 555), if the complainant is not satisfied with the manner in which his complaint has been resolved by the Regulated Person;
- (f) Statements as to whom the website is targeted, for example, residents in Malta and for all risks situated in Malta.

Internet Sites operated by Tied insurance intermediaries

- R.1.1.13 In addition to the requirements of R.1.1.10 to R.1.1.12, a Tied insurance intermediary shall not carry on Tied insurance intermediaries activities through the internet, except with the consent of the Insurance undertaking in relation to which it acts as a Tied insurance intermediary.
- R.1.1.14 The Insurance undertaking on whose behalf the Tied insurance intermediaries activities are being carried out shall assume full responsibility for all the information that is communicated or displayed on the internet site relating to such activities.
- R.1.1.15 The Insurance undertaking to which the Tied insurance intermediaries' activities being carried out relate shall ensure that:
- (a) The provisions contained in sub-paragraphs (c) to (e) of Rule 1.1.11 are satisfied at all times;
 - (b) The internet site contains the following information:
 - (i) The name, address and contact details of the Tied insurance intermediary and the Insurance undertaking;
 - (ii) A statement that the Tied insurance intermediary is enrolled to carry out Tied insurance intermediaries activities in terms of the Insurance Intermediaries Act;
 - (iii) Statements as to whom the website is targeted, for example residents in Malta or for risks situated in Malta.

Section 2: MARKETING RULES

Application

- R.1.2.1 The Rules and any relative Guidance set out under the subtitle “General Rules” shall apply to all Regulated Persons, except as otherwise indicated.
- R.1.2.2 The Rules and the relative Guidance set out under Part A below are applicable to Regulated Persons which fall under paragraph (i), (ii) or (v) of the definition of Regulated Person in the Glossary, irrespective of their licence category.
- R.1.2.3 The Rules and relative Guidance set out in Part B below are applicable to Regulated Persons which fall under paragraphs (iii) and (iv) of the definition of Regulated Person in the Glossary to these Rules.
- R.1.2.4 These Rules shall apply to:
- a) Any Advertisement or Information issued in or from Malta; and
 - b) Any Advertisement or Information which is circulated, published, broadcast or otherwise received in Malta.

General Rules

- R.1.2.5 Advertisements and Information shall be fair, clear and not misleading. Advertisements shall be clearly identifiable as such.
- In issuing, approving or disseminating Advertisements, the Regulated Person shall ensure that:
- a) The design, presentation and content of an advertisement is clear, fair, and accurate and not misleading such that any Client can reasonably be expected to know immediately that it is an advertisement.
 - b) The advertisement shall not seek to influence a person’s attitude to the advertised Product or Service or the Regulated Person either by ambiguity, exaggeration or omission;
 - c) The nature and type of the advertised Product or Service shall be clear and shall not be disguised in any way;

- d) Important items, statements or warnings are not disguised, diminished or obscured; and
- e) It avoids taking any improper advantage of any characteristic or circumstances that may make the Client vulnerable.

R.1.2.6 Without prejudice to the generality of R.1.2.5, a Regulated Person shall ensure that any advertisement and Information is not misleading in relation to:

- (a) The nature of the advertised Product or Service;
- (b) The Regulated Person's independence or the independence of the information it provides;
- (c) The Regulated Person's ability to provide the advertised Product or Service and about the nature and type of such Product or Service;
- (d) The scale of the Regulated Person's activities;
- (e) The extent of the resources of the Regulated Person;
- (f) The nature of the Regulated Person's or any other person's involvement in the advertised Product or Service;
- (g) The scarcity of the advertised Product or Service;
- (h) Past performance or possible future performance of the advertised Product or Service;
- (i) Any relevant risks and, in particular, shall not emphasise any potential benefits of a Product or Service without also giving a fair and prominent indication of relevant risks.

G.1.2.1 *An Advertisement or other Information provided to Clients should be considered to be 'misleading' if it has a tendency to mislead the person or persons to whom it is addressed or by whom it is likely to be received, whether or not the person who issues the advertisement considers or intends it to be misleading.*

G.1.2.2 *These Rules shall not apply where the advertisement approved or disseminated or the Information provided consists only of one or more of the following:*

- (a) *The name of the Regulated Person;*

- (b) A logo or other image associated with the Regulated Person;*
- (c) A contact point;*
- (d) A reference to the Services provided by the Regulated Person;*
- (e) Reference to the fees or commissions charged by the Regulated Person.*

R.1.2.7 The Regulated Person shall ensure that Advertisements or Information it approves or circulates shall:

- (a) Be sufficient for, and presented in a way that is likely to be understood by, its identified target market; and
- (b) Identify the Member State where the Regulated Person is registered.

Issuing and Approving Advertisements

R.1.2.8 No person, other than a Regulated Person, may issue or cause to be issued, Advertisements in or from Malta, unless its contents have been approved by a Regulated Person. Furthermore, the Regulated Person approving such Advertisements shall ensure that any Advertisements disseminated or circulated principally in or from Malta comply with the requirements of these Rules and any other relevant legislation.

Advertisements relating to Financial Instruments or Structured Deposits, are required to be approved by a Regulated Person falling under point (i) of the definition of Regulated Person in the Glossary to these Rules.

R.1.2.9 When issuing or approving such Advertisements Regulated Persons, other than Tied Insurance Intermediaries, shall:

- (a) Appoint the Compliance Officer, or where the Regulated Person is not required to appoint a Compliance Officer, a designated officer to be notified to the MFSA to:
 - i) Approve Advertisements to be issued by the Regulated Person in its own name;
 - ii) Approve Advertisements to be issued by a third party but which are required to be approved by a Regulated Person; and
 - iii) Report to the Authority any advertisement issued or purporting to be issued by a Regulated Person without the approval referred to in (a)(i) above.

- (b) Establish internal procedures relating to the approval of Advertisements to be issued by the Regulated Person;
- (c) Identify the target market of Client for whom the Advertisement is intended and ensures that the method of circulating the Advertisement is appropriate for the identified target market.
- (d) Keep records of all Advertisements issued and approved, including:
 - i) A signed certification by the Compliance Officer or the designated officer in terms of (a) above, that each advertisement complies with the requirements of these Rules;
 - ii) The name of the individual who approved the Advertisements;
 - iii) The date of approval of the Advertisements;
 - iv) The publications in which the Advertisement was included; and
 - v) Documentary evidence in support of any statement made in the Advertisement.

R.1.2.10 Where the Regulated Person appoints Insurance Intermediaries or Tied Agents, it shall approve, before publication, all the Advertisements relating to the business carried on by the Regulated Person, issued by such intermediaries or tied agents,. The Regulated person shall also accept responsibility for such adverts and ensure that they comply with the applicable legal and regulatory requirements. Moreover, the Regulated Person shall also keep a separate record of all such Advertisements.

R.1.2.11 For the purposes of R.1.2.9 and R.1.2.10, the words “*keep a record of all Advertisements*” means that the Regulated Person is required to keep a copy of each, different kind of Advertisement issued or approved by it, for a period of not less than 5years.

General Requirements

R.1.2.12 Any disclosure, warning or any other disclaimer which is required to be included in any Advertisement or information shall be shown prominently, clearly and intelligibly.

G.1.2.3 *When issuing an advertisement or communicating information to a Client about a Product or a Service, a Regulated Person should consider whether omission of any relevant fact will result in the Advertisement or information being insufficient, unclear, unfair or misleading.*

G.1.2.4 *Regulated Persons should:*

- (a) *Take account of the means of communication used to publish the Advertisement or communicate the information to Clients and of the limitations and/ or disadvantages associated with a particular means of communication. To this effect G. 1.2.29 should be noted for additional guidance with respect to publication of information on different types of media;*
- (b) *Ensure that disclaimers, risk warnings and other footnotes used in the Information should be of sufficient size and prominence to be clearly legible and not diminished, disguised or obscured in any way by the content, design or format of the Information;*
- (c) *Ensure that quoted performance figures are not selected so as to exaggerate the success or disguise the lack of success of the product;*
- (d) *Include a statement in the Information regarding any significant position or holding in the Product which is the subject of the Information or Advertisement;*
- (e) *Ensure that only information which is material to the Advertisement being published, is included. The Advertisement should indicate that further information about the Product or Service which is the subject of the Advertisement is available and from where.*

R.1.2.13 A Regulated Person shall include a regulatory disclosure statement in all the Advertisements it issues. This regulatory disclosure shall indicate that the Regulated Person is regulated by the MFSA and the law under which it is so regulated

The regulatory disclosure statement required by this Rule should also be made by the Regulated Person when providing Information to Clients.

R.1.2.14 A Regulated Person shall ensure that Information shall not use the name of the Malta Financial Services Authority or any other competent authority in such a way that would indicate or suggest endorsement or approval by the MFSA or any other competent authority of the products or services of the Regulated Person.

R.1.2.15 A Regulated Person shall ensure that any Advertisement or information it issues, which indicates the MFSA as the regulator of the Regulated Person issuing the Advertisement and which refer to matters not regulated by the MFSA, makes it clear that those matters are not regulated by the MFSA.

R.1.2.16 Where an Advertisement is issued by a Tied insurance intermediary or by a Tied agent, the Advertisement shall contain a statement that the entity appointing the intermediary is regulated by the MFSA, or by a European regulatory authority, as applicable, as well as a reference to the legislation under which such regulation is afforded.

The regulatory disclosure statement required by this Rule should also be made by the Tied insurance intermediary or a Tied Agent when providing information to Clients.

R.1.2.17 The Regulated Person shall ensure that any Information and Advertisement addressed to, or disseminated in such a way that it is likely to be received by, Clients shall include the name and address of the Regulated Person and identify in the same prominence both the Manufacturer of the Product and the Distributor which issued the Advertisement or the Information. It should also distinguish between which of the parties is the Manufacturer and which is the Distributor of the Product.

R.1.2.18 A Regulated Person shall ensure that an Advertisement or Information which contains any initials or acronyms (for example AER, EAR, CAR, APR etc.) also states what the initials or acronyms stand for.

R.1.2.19 A Regulated Person shall ensure that the advertised product or service is described as free only where the product or service in its entirety is available free of charge to the Client.

R.1.2.20 A Regulated Person shall ensure that any information contained in a marketing communication is consistent with any information the Regulated Person provides to a Client in the course of carrying on investment and ancillary services.

R.1.2.21 In deciding whether and how, to issue an Advertisement to an identified target market, a Regulated Person shall ensure that the medium selected for this purpose is commensurate with the nature of the Product or Service and its likely information requirements as well as the role and extent of the information provided, the risks involved, the risk profile of the target audience in the sales process.

Where the medium selected by the Regulated Person to disseminate the Advertisement is such that it does not allow the recipient to assimilate all the

information included therein (for example billboards), there should be no references to performance rates.

G.1.2.5 The medium, content and format of the Advertisement should be such that it is easily understood that it is only intended for its identified target market. The Advertisement itself should also be understood by such identified target market. Therefore, where possible, simple and accurate terms should be used as opposed to complicated and technical jargon.

R.1.2.22 The Regulated Person shall ensure that an Advertisement or Information which is being aimed at an Identified target market, shall also include a statement indicating such identified target market.

G.1.2.6 With respect to Advertisements and Information disseminated via the Internet, Regulated Persons should also:

a) Include a statement indicating the identified target market which the website or email is intended for;

b) Include appropriate statements that the Client is leaving the Regulated Person's website and accessing another in cases where the Regulated Person's website is hyperlinked to other sites.

Warning Statements which should be included in Advertisements and, where applicable, Information.

R.1.2.23 A Regulated Person shall ensure that warning statements:

(a) Are prominently situated and of a font size that is at least equal to the predominant font size used throughout the document or Advertisement or Information; and

(b) Appear together with the benefits of the advertised Product or Service.

In the case of non-print media, it is sufficient that the warning statements are mentioned at the end of the Advertisement.

R.1.2.24 A Regulated Person shall ensure that an Advertisement for a product, which is not readily realisable, states that it may be difficult for Client to sell or exit the Product and/or obtain reliable information about its value or extent of the risks to which it is exposed.

R.1.2.25 A Regulated Person shall ensure that an Advertisement or Information relating to a product that cannot be redeemed prior to maturity, or which incurs an early

redemption charge if redeemed prior to maturity, clearly states that this is the case.

R.1.2.26 A Regulated Person shall ensure that an Advertisement or Information relating to a product subject to front-end loading states, where applicable, that:

- (a) Deductions for charges and expenses are not made uniformly throughout the life of the product, but are loaded onto the early period;
- (b) If the Client withdraws from the product in the early period, the practice of front-end loading will impact on the amount of money which the Client receives; and
- (c) If applicable, that a Client may not get back the full amount invested.

R.1.2.27 Regulated Persons issuing an Advertisement shall ensure that:

- (a) Where the Product is complex, a warning is included to the effect that it may not be suitable for retail Clients;
- (b) That the information provided therein is not in conflict, in any way, with the relevant prospectus or product documentation. Phrases similar to or derivatives of 'fixed annual income, 'minimum return'', 'monthly distributions'' amongst others may only be used in accordance with the provisions of the product prospectus or product documentation;
- (c) That the terminology used to describe the rate of return is adequate terminology for that particular Product or service. When quoting rates of return for bond funds the term 'yield' should be used to describe such a return in lieu of 'interest rate' or 'return'. Care shall also be exercised in using the correct terminology when advertising in Maltese so that the term 'qliegħ' is only used where appropriate as opposed to 'rata ta' imghax'.

R.1.2.28 A Regulated Person shall ensure that where any Advertisement or Information relates to a Product or Service that is denominated or priced in a foreign currency, or where the value of such Product or Service may be directly affected by changes in foreign exchange rates, the relevant warning statements are disclosed.

G.1.2.7 *Further to the above Rule, Regulated Persons should use the following wording or such other wording as appropriate in the particular circumstances:*

Warning: This [product/service] may be affected by changes in currency exchange rates.

R.1.2.29 A Regulated Person shall ensure that Advertisements should clearly indicate whether the Product or Service being advertised places a Client's capital at risk. An Advertisement for a Product where the consumer may not get back 100% of the initial capital invested should contain the relevant warning.

G.1.2.8 *For the purpose of the above Rule, Regulated Persons should use the following wording or such other wording as appropriate in the particular circumstances:*

Warning: If you invest in this product you may lose some or all of the money you invest.

R.1.2.30 A Regulated Person shall ensure that an Advertisement for a Product that quotes a yield figure, a balanced impression of both the short and long term prospects for the investment, is given;

R.1.2.31 A Regulated Person shall ensure that for a Product where the promised return of capital is only applicable on a specific date, an appropriate warning is given.

G.1.2.9 *For the purposes of the above Rule, Regulated Persons should use the following warning or such other wording as appropriate in the particular circumstances:*

Warning: If you cash in your product or redeem your investment before [specify the particular date] you may lose some or all of the money you invest.

R.1.2.32 A Regulated Person shall ensure that Advertisements for a Product where there is no access to funds for the term of the Product a specific warning in this regard should be included.

G.1.2.10 *For the purposes of the above Rule, Regulated Persons should use the following wording or such other wording as appropriate in the particular circumstances:*

Warning: If you invest in this product you will not have any access to your money for [insert time required before the product matures].

R.1.2.33 A Regulated Person shall ensure that in Advertisements that promote a Product or Service whose charging structure is complex shall include the information necessary to ensure that the Advertisements are fair, clear and not misleading. Such Advertisements should also contain sufficient information taking into account the needs of the recipients.

R.1.2.34 A Regulated Person shall ensure that Advertisements that offer packaged products which are not manufactured by the Regulated Person issuing the Advertisements,

indicate clearly that the Regulated Person is not the manufacturer of the product advertised.

R.1.2.35 A Regulated Person shall ensure that where the advertised Product or Service can fluctuate in price or value, the relative Advertisement contains a corresponding warning statement.

G.1.2.11 *For the purposes of the above Rule, Regulated Persons should use the following wording or such other wording as appropriate in the particular circumstances:*

Warning: The value of your investment may go down as well as up.

R.1.2.36 A Regulated Person shall ensure that where the return on an advertised Product or Service is not set until a particular date (for example, the maturity date of the advertised Product or Service), this should be clearly stated.

R.1.2.37 A Regulated Person shall ensure that where the subject of an Advertisement is a product described as being likely to yield income, or interest in the case of structured deposits, or as being suitable for a Client particularly seeking income, the relevant risk warnings are included where the income from such Product can fluctuate.

G.1.2.12 *For the purposes of the above Rule, Regulated Persons should use the following wording or such other wording as appropriate in the particular circumstances:*

Warning: The income you get from this investment may go down as well as up.

Information to be Included in Advertisements

R.1.2.38 A Regulated Person shall ensure that an Advertisement that uses promotional or introductory interest rates clearly states the expiry date of that interest rate and provides an indication of the rate that will apply thereafter.

R.1.2.39 An Advertisement should not describe a feature of a Product or Service as "guaranteed", "protected" or "secure", or use a similar or equivalent term unless the Regulated Person issuing the Advertisement has made an assessment of the guarantee in question and has found it to be adequate. If such terms are included, then the Regulated Person shall ensure that the terms used are capable of being a fair, clear and not misleading description of the Advertised product and that all relevant information is communicated in the Advertisement with sufficient clarity and prominence, to make the use of those terms fair, clear and not misleading. Furthermore, such Advertisements should also include:

- (a) The name and a description of the guarantor;
- (b) The legally binding nature of the guarantee and what it relates to; and
- (c) Information as to whether there are any conditions, restrictions or other matters which may affect the Client's ability to benefit from it.

- R.1.2.40 A Regulated Person shall ensure that any assumptions, on which a statement, promise or forecast contained in an Advertisement is based, are clearly stated, reasonable and up to date.
- R.1.2.41 A Regulated Person shall ensure that an Advertisement that promotes more than one Product or Service sets out clearly the key information relating to each Product or Service in such a way that a Client can distinguish between the Products and Services in question.
- R.1.2.42 Where an Advertisement contains a statement or report attributed to a person, the Advertisement should also disclose the name of that person, his business address, qualifications and any material interest in the issuer of the Advertisement or in the Products or Services which are the subject of the Advertisement in question.
- R.1.2.43 Where the information contained in an Advertisement is sourced from a third party, the Regulated Person issuing the Advertisement should also confirm that this information has been accurately reproduced and that no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, the Regulated Person should also identify the source(s) of the information.

Advertisements issued by Tied Intermediaries or Tied Agents

- R.1.2.44 Where a tied insurance intermediary or a tied agent is tied to a single provider for a particular Product or Service, the tied insurance intermediary or the tied agent shall disclose this fact in all Advertisements for the Product or Service in question.

Advertisements containing Pricing claims

- R.1.2.45 This Rule applies in relation to an Advertisement that makes pricing claims, including financial promotions that indicate or imply that a Regulated Person can reduce the premium or fees, provide the cheapest premium or fees or otherwise reduce a Client's costs:

A Regulated Person shall ensure that any qualifying criteria in relation to:

- (a) Obtaining a minimum price for the Advertised product or service; or
- (b) Benefiting from potential maximum savings relating to the Advertised product or service;

is included in the main body of the Advertisement.

R.1.2.46 Such an Advertisement should:

- (a) Be consistent with the result reasonably expected to be achieved by the majority of Clients who respond, unless the proportion of those Clients who are likely to achieve the pricing claims is stated prominently;
- (b) State prominently the basis for any claimed benefits and any significant limitations; and
- (c) Comply with other relevant legislative requirements.

Disclosures Relating to Taxation

R.1.2.47 If any Advertisement or Information refers to a particular tax treatment of a particular Product or Service, a Regulated Person shall ensure that the Advertisement or Information in question contains:

- (a) Details on the tax treatment of the Product or Services, which is complete, fair, relevant, accurate and not misleading;
- (b) An indication as to whether the Regulated Person assumes responsibility for the withholding of the taxes at source;
- (c) An indication that the information relates to any appropriate current legislation as at the date of submission of that information and that such tax arrangements may change in the future.

R.1.2.48 Where the information refers to a particular tax treatment, it shall prominently state that the tax treatment depends on the individual circumstances of each Client and may be subject to change in the future.

Information provided to Clients, which Refer to Past Performance

R.1.2.49 A Regulated Person shall ensure that when providing any Information to Client containing an indication of past performance of a financial index or a Service or a Product, the following conditions are satisfied:

- a) That indication is not the most prominent feature of the communication;
- b) The reference period and the source of information is clearly stated;
- c) The Information contains a prominent warning that the figures refer to the past and that past performance is not a reliable indicator of future results;
- d) Where the indication relies on figures denominated in a currency other than that of the member state in which the Client is resident, the currency is clearly stated, together with a warning that the return may increase or decrease as a result of currency fluctuations;
- e) Where the indication is based on gross performance, the effect of commissions, fees or other charges are disclosed;

G.1.2.13 The obligations relating to describing performance should be applied in the light of their purpose and in a way that is appropriate and proportionate taking into account the means of communication and the information the communication is intended to convey.

G.1.2.14 For the purposes of the above Rule, the Regulated Person is recommended to use the following wording or such other wording as is appropriate in the circumstances:

a) With respect to R.1.2.49(c):

Warning: The performance figures quoted refer to the past and past performance is not a guarantee of future performance or a reliable guide to future performance' as the applicable warning.

b) With respect to R.1.2.49(d)

Warning: This [product] may be affected by changes in currency exchange rate movements thereby affecting your investment return therefrom.

G.1.2.15 In order to comply with R.1.2.49(e), Regulated Persons may either quote performance figure:

(a) Net of all applicable fees, commissions and other charges; or

(b) Gross, but clearly highlighting all applicable fees, commissions and charges in the disclaimers contained in the Advertisement or Information and which could have an impact on the value of the quoted performance. In this regard,

- *for Financial Instruments and for insurance based investment products subject to front- end fees, Regulated Persons should use the following wording or such other wording as is appropriate in the circumstances:*

Warning: A commission or sales fee may be charged at the time of the initial purchase for an investment and may be deducted from the invested amount therefore lowering the size of your investment’;

- *for Products subject to exit fees, Regulated Persons should to use the following wording or such other wording as is appropriate in the circumstances:*

Warning: ‘A fee/surrender penalty may be charged at the time you redeem your investment [or if you wish to withdraw your investment in the early period] /surrender penalty which may have an impact on the amount of money you receive’.

G.1.2.16 In relation to packaged products information required in R.1.2.49 should be given on:

- An offer to bid basis (which should be stated) if there is an actual return or comparison of performance with other investments; or*
- An offer to offer, bid to bid or offer to bid basis (which should be stated) if there is a comparison of performance with an index or with movements in the price of units; or*
- A single pricing basis with allowance for charges.*

G.1.2.17 If the pricing policy of the packaged product has changed, the prices used should include such adjustments as are necessary to remove any distortions resulting from the pricing method.

G.1.2.18 Performance figure/s (including the use of graphs or other phrases used in the information or advertisement which could give an indication of the rate of return) are considered to be the most prominent feature of the information or advertisement when the font size/s used to illustrate the performance figure/s

- Is larger than that used for any other item of information within the same communication;*
- Is disproportionate to the font size used for any other item of information including the disclaimers, footnotes, warnings; and*

c) Gives the performance rate excessive prominence.

G.1.2.19 Where necessary footnotes or other information included to supplement or elaborate on the key information in the main body of the advertisement, shall be of sufficient size and prominence to be clearly legible. Where an asterisk is used to add explanation, the explanatory text may appear as a footnote provided that the linkage is absolutely clear.

G.1.2.20 Regulated Persons should ensure that the reference period and the source of information is quoted even when disclosing and/ or illustrating past performance figures or indicators in pie charts or any other types of graphs or illustrations.

Information showing Simulated past performance

R.1.2.50 A Regulated Person shall ensure that where Information it provides includes or refers to simulated past performance, satisfies the following conditions:

- a) It relates to a financial instrument or a financial index;
- b) The simulated past performance is based on the actual past performance of one or more financial instruments or financial indices which are the same as, or substantially the same as, or underlie, the financial instrument concerned;
- c) In respect of the actual past performance referred to in point (b) above the conditions set out in points (a) to (c), (e) and (f) of R.1.2.49 are satisfied;
- d) The Information contains a prominent warning that the figures refer to simulated past performance and that past performance is not a reliable indicator of future performance.

G.1.2.21 The guidance noted in G.1.2.13 to G.1.2.20 and G.1.2.38 above should be considered as relevant guidance for the implementation of R.1.2.50 (b).

G.1.2.22 For the purposes of Rule 1.2.50(d), Regulated Persons are recommended to use the following wording or such other wording as may be appropriate in the circumstances.

<p>Warning: The performance figures quoted are only estimates and may not be a reliable indicator of future performance of this investment'.</p>

Advertisements or Information showing Future performance

- R.1.2.51 A Regulated Person shall ensure that any information containing an indication of future performance satisfies the following conditions:
- (b) The information is not based on or refer to simulated past performance;
 - (b) The information is based on reasonable assumptions supported by objective data;
 - (c) The effect of commissions, fees or other charges is disclosed where the indication is based on gross performance; and
 - (d) The information is based on performance scenarios in different market conditions (both negative and positive scenarios), and reflects the nature and risks of the specific types of instruments included in the analysis.
 - (e) The information contains a prominent warning that such forecasts are not a reliable indicator of future performance.
- G.1.2.23 *A Regulated Person should refrain from approving Advertisements or providing information to Clients referring to future performance if it is not in possession of the objective data needed to comply with the rule on future performance.*
- G.1.2.24 *Regulated Persons should not illustrate future performance figures in a way which indicates or gives the impression that the future performance of the investment is correlated in any way to the past performance of the investment.*
- G.1.2.25 *In order to comply with R.1.2.51(c), Regulated Persons may either quote performance figures:*
- (a) *Net of all applicable commissions, fees and charges; or*
 - (b) *Gross, but clearly highlighting all applicable commissions, fees and charges in the information disclaimers which could have an impact on the value of the quoted performance as follows:*
 - *For Products subject to front- end fees, Regulated Persons should use the following wording or such other wording as is appropriate in the circumstances:*

A commission or sales fee may be charged at the time of the initial purchase for an investment, or at the time of the entering into an Insurance contract, as applicable, and may be deducted from the amount

invested or from the surrender value, as applicable, therefore lowering the size of the proceeds from your investment or insurance policy, as applicable.

- *For Products subject to exit fees or surrender charges, Regulated Persons are recommended to use the following wording or such other wording as is appropriate in the circumstances:*

A fee may be charged at the time you redeem your investment [or if you wish to withdraw your investment in the early period] or on the surrender of the policy, as applicable. This may have an impact on the amount of money you receive’.

G.1.2.26 In order to comply with R.1.2.50 (d), Regulated Persons are recommended to use the following wording for the applicable warning or such other wording as is appropriate in the circumstances.

The performance figures quoted should only be considered as forecasts and may not be a reliable indicator of future performance of this investment.

Guidance on Advertisements to be disclosed in Advertisements Broadcast on Television and Radio.

G.1.2.27 With respect to Advertisements broadcast on television and radio, apart from the guidance provided in the above-sections, Regulated Persons should:

- (a) State the regulatory disclosure statement as set out in R.1.2.13;*
- (b) Have clear and legible risk warnings indicated on a caption at the very bottom of the visual which should take up not less than 20% of the whole screen;*
- (c) Indicate the captions on a black background and using bold, white text which is non italicised. Captions at the bottom of the screen should not exceed 4 lines each and should only be updated at intervals of not less than 4 seconds each during broadcast of the visual;*
- (d) Include a voice over of all the relevant risk warnings relative to the investment;*

- (e) *Not include any reference to past or future performance rates if the broadcast is less than 30 seconds long.*

Guidance on Advertisements issued on Social Media

- G.1.2.28 *“Social media” share the characteristic of being digital and can be defined as websites and applications that enable users to create and share content or participate in social networking. The following is a non-exhaustive list: blogs, microblogs (Twitter), social and professional networks (Facebook, LinkedIn, Google+), forums, image and video-sharing platforms (YouTube, Instagram, Vine, Pinterest).*
- G.1.2.29 *The rules under Chapter 1 “Disclosures” of the Conduct of Business Rulebook are media neutral; therefore they apply to social media as they would to any other medium.*
- G.1.2.30 *Any form of communication through social media is capable of being an Advertisement, depending on whether it includes an invitation or inducement to engage in financial activity.*
- G.1.2.31 *An Advertisement must be made within the “course of business”, that is, it requires a commercial interest on the part of the communicator, for it to be captured within the regulatory regime.*
- G.1.2.32 *When deciding whether to promote or advertise through social media, Regulated Persons should take into consideration the nature of their promotions together with the fact that communications through social media can reach a wide audience very rapidly. Due to the possibility of promotions through social media being circulated by users to unintended recipients, Regulated Persons should take adequate measures to label and target their communications. The target audience, the nature of the product and the likely information needs of the average recipient should be considered.*
- G.1.2.33 *In order for Regulated Persons to adhere with the requirement to be “clear, fair and not misleading” as outlined in R.1.2.5, when promoting their products or services through social media, such Regulated Persons should ensure that clients have an appreciation of the relevant risks in addition to the potential benefits. Regulated Persons should ensure that relevant text is sufficiently prominent.*
- G.1.2.34 *In view that adverts on some social media are subject to character-limitations, the use of images and infographics is recommended to ensure that all the relevant risk warnings and other required statements are included in the advert. It is also possible to include a link to more comprehensive information, provided that the*

promotion is compliant with the applicable regulatory requirements on a stand-alone basis.

- G.1.2.35 Where a recipient shares or re-tweets a Regulated Person's communication, responsibility lies with the communicator (i.e. the recipient); therefore the Regulated Person would not be responsible. Notwithstanding, any breaches of rules in the original communication are still the responsibility of the Regulated Person and the MFSA will take up the matter with the Regulated Person.*
- G.1.2.36 If a Regulated Person re-tweets a client's tweet, should the client's tweet endorse the benefits of a regulated financial product or service, sharing of such comment by the Regulated Person will constitute a promotion. Re-tweeting by a Regulated Person of a client's tweet expressing satisfaction on good customer service is not considered to be a promotion.*
- G.1.2.37 The issuer of the Advertisement on social media should be clearly identifiable. Where a personal social media account is used by someone associated with a particular Regulated Person, such as a senior person at the business, that individual and the Regulated Person should take necessary measures to clearly distinguish personal communications from those that are made in the course of that business.*

Part A: Rules Applicable to Regulated Persons which fall under paragraph (i) or (ii) of the definition of Regulated Person in the Glossary to these Rules

- R. 1.2.52 For the purposes of this Part the term "Regulated Person" shall refer to a person which falls under paragraph (i) or (ii) of the definition of Regulated Person in the Glossary to these Rules.

Advertisements or Information relating to a feeder UCITS Schemes or European UCITS Schemes

- R.1.2.53 A Regulated Person shall ensure that any advertisement or information which comprises an invitation to purchase units in a UCITS scheme or a European UCITS scheme and that contains specific details about the scheme:
- (a) makes no statement that contradicts or diminishes the significance of the information contained in the prospectus and the key investor information document for the scheme;
 - (b) indicates that a prospectus exists for the scheme and that the key investor information document or document is available; and

- (c) specifies where and in which language such information or documents may be obtained by investors or potential investors or how they may obtain access to them.

- R.1.2.54 Where a UCITS scheme or a European scheme may invest more than 35% of its scheme property in transferable securities and money market instruments issued or guaranteed by an Member State or EEA State, one or more of its local authorities, a third country or a public international body to which one or more Member States or EEA States belong, the firm shall ensure that Advertisements relating to the scheme contain a prominent statement drawing attention to the investment policy and indicating the particular Member States or EEA States, local authorities, third countries or public international bodies in the securities of which the scheme intends to invest or has invested more than 35% of its scheme property.
- R.1.2.55 Where a UCITS scheme or European UCITS scheme invests principally in units in collective investment schemes, deposits or derivatives, or replicates a stock or debt securities index or as indicated in Standard Licence Condition 5.37 of Part BII of the Investment Services Rules for Retail Collective Investment Schemes, the Regulated Person shall ensure that advertisement relating to the scheme contains a prominent statement drawing attention to the investment policy.
- R.1.2.56 Where the net asset value of a UCITS scheme or a European UCITS scheme has, or is likely to have, high volatility owing to its portfolio composition or the portfolio management techniques that are or may be used, the Regulated Person shall ensure that an advertisement relating to the scheme contains a prominent statement drawing attention to that characteristic.

Advertisements and information relating to UCITS Schemes or European UCITS Schemes

- R.1.2.57 A Regulated Person shall ensure that an advertisement and information (other than a key investor information document) relating to a feeder UCITS contains a statement that the feeder UCITS permanently invests at least 85% in value of its assets in units of its master UCITS.

Advertisements relating to an Offer of Securities to the Public or to an admission to trading on a Regulated Market in Malta

- R.1.2.58 Where no prospectus is required in accordance with the Directive 2003/17/EC, any advertisement relating to an offer of securities to the public or for an admission to trading on a Regulated Market in Malta shall include a warning to that effect unless the issuer, the offeror or the person asking for admission to trading on a Regulated market in Malta chooses to publish a prospectus which complies with the requirements of Directive 2003/71/EC and Regulation 809/2004.

Advertisements Containing an Offer or Invitation

R.1.2.59 Marketing communications containing an offer or invitation of the following nature and specifying the manner of response or including a form by which any response may be made, shall include such of the information referred in R.1.4.15, R.1.4.16, R.1.4.31 to R.1.4.35, R.1.4.46, R.1.4.47 and R.1.4.58 to R.1.4.62.

as is relevant to the offer or invitation:

- (a) An offer to enter into an agreement in relation to a financial instrument or investment services or ancillary service with any person who responds to the communication;
- (b) An invitation to any person who responds to the communication to make an offer to enter into an agreement in relation to a financial instrument or investment service or ancillary service.

However, paragraph (a) shall not apply if, in order to respond to an offer or invitation contained in the marketing communication, the potential Client must refer to another document or documents, which, alone or in combination, contain that information.

Advertisements or Information containing Comparative Information

R.1.2.60 Where the information compares investment or ancillary services, financial instruments, or persons providing investment or ancillary services, Regulated Persons shall ensure that the following conditions are satisfied:

- (a) The comparison is meaningful and presented in a fair and balanced way;
- (b) The sources of the information used for the comparison shall be specified;
- (c) The key facts and assumptions used to make the comparison shall be included.

Information provided to Clients, which Refer to Past Performance

R. 1.2.61 In addition to the disclosure requirements made in terms of R.1.2.49, a Regulated Person shall ensure that when providing any Information to Client containing an indication of past performance of a financial index or a Service or a Product, the information must include appropriate performance information which covers the preceding five years, or the whole period for which the Product has been offered, the financial index has been established, or the Service has been provided where less than five years, or such longer period as the Regulated Person may decide,

and in every case that performance information is based on complete 12-month periods.

G.1.2.38 With respect to R.1.2.61 Regulated Persons should ensure that all performance figures quoted in the Information or in the Advertisement are annualised. In addition, where Regulated Persons, annualise a rate of return using figures which do not span over a year, they should clearly disclose the basis period over which the annualised rate is calculated and include the following disclaimer or such other wording as is appropriate in the circumstances:

<p>'The annualised rate is an indication of the average growth of the investment over one year'.</p>

Part B: Rules and Guidance applicable to Regulated Persons falling under points (iii) or (iv) of the definition of Regulated Person in the Glossary to these Rules

R. 1.2.62 For the purposes of this Part the term “Regulated Person” shall refer to a person which falls under paragraphs (iii) or (iv) of the definition of Regulated Person in the Glossary to these Rules.

Advertisements and Information relating to Linked Long Term Contract of Insurance

R.1.2.63 In Advertisements and Information relating to an Insurance contract which is a linked long term contract of insurance, the Regulated Person concerned shall include a statement that the Client’s investment decision should be based on the full details of the product information document, and shall state from where this document may be obtained or accessed.

R.1.2.64 A box advert carried in print media indicating prices (“price box”) for linked long term contracts of insurance shall include:

- (a) The name and contact details of the Regulated Person responsible for the publication of the Advertisement;
- (b) Names of the funds which may be linked thereto;
- (c) The price(s) and their relevant date;
- (d) The change from the previously quoted price(s);

- (e) An indication that initial and/or exit fees apply or may apply, as appropriate.

Advertisements and Information relating to Long Term Insurance Business

R.1.2.65 In Advertisements or information relating to a long term business insurance policy which gives particulars of any of the benefits payable under the policy, the Regulated Person responsible for that Advertisement shall state:

- (a) Which of the benefits under the contract (if any) are of fixed amounts and what those amounts are; and
- (b) Which of them (if any) are not of fixed amounts.

R.1.2.66 In addition to the disclosure requirements made in terms of R.1.2.49, where an advertisement is issued in accordance with the requirements of Rules under Part B above, the Regulated Person shall ensure that the advertisement:-

- (a) Contains a statement that further information will be supplied if requested; and
- (b) Information furnished to a policyholder shall not contain a statement relating to past performance unless the basis on which such performance is measured is clearly furnished.

Section 3: DISCLOSURE OF INFORMATION ON REGULATED PERSONS

Application

- R.1.3.1 The Rules and any relative Guidance set out under the heading 'General Rules' shall apply to all Regulated Persons, except as otherwise indicated.
- R.1.3.2 The Rules and any relative Guidance set out under Part A apply to Regulated Persons which fall under paragraph (i) or (ii) or (v) of the definition of 'Regulated Person' in the Glossary, irrespective of their licence category.
- R.1.3.3 The Rules and any relative Guidance set out under the heading Part B shall apply to all Regulated Persons which fall under the paragraph (i) of the definition of Regulated Persons in the Glossary and which qualify as UCITS Management Companies.
- R.1.3.4 The Rules and any relative Guidance set out under the heading Part C shall apply to Regulated Person which fall under paragraph (iii) of the relevant definition in the Glossary.
- R.1.3.5 The Rules and any relative Guidance set out under the Part D shall apply to Regulated Persons which fall under point (iv) of the definition of 'Regulated Person' in the Glossary.

General Rules

- R.1.3.6 A Regulated Person shall in good time, prior to the conclusion of any contract, or if there is a material change after the conclusion of a contract for the provision of a Service or Product, make the following disclosures to Clients:
- (i) Its name and address and the Product or Service which is being provided or carried out which, shall include the address of the head office of the Regulated Person (including where applicable, the name of the Member State or Third Country where such head office is situated) and, where appropriate, the address of the agent or branch concluding the contract (including where applicable, the name of the Member State or Third Country where such branch is situated). Where the Regulated Person is a third country insurance undertaking, such Regulated Person shall provide the address of the Maltese branch;

- (ii) A statement of the fact that the Regulated Person is licensed by the MFSA, together with the address of the MFSA. Where applicable, a Regulated Person shall also disclose to the Client the Register in which the Regulated Person, as well as any Designated Person operating with a Regulated Person, has been included and the means for verifying that it has been registered or notified;
- (iii) Information relating to the procedures allowing Clients or other interested persons to register complaints about the Regulated Person;
- (iv) Information about any compensation which may be available to the Client under any compensation scheme which may be applicable;

R.1.3.7 A Regulated Person which decides to appoint a Tied Agent, Tied Insurance Intermediary and Ancillary Insurance Intermediary shall ensure that, when contacting or before dealing with any Client such Tied Agent or Tied Insurance Intermediary or Ancillary Insurance Intermediary discloses the capacity in which he is acting and the Regulated Persons which he is representing. In the case of a Tied Insurance Intermediary and an Ancillary Insurance Intermediary such disclosure shall also include the enrolment number and show the company's business card.

R.1.3.8 A Regulated Person shall ensure that any designation given to its employees reflects the Service being provided by such employee. The employee shall clearly disclose whether he is authorised to give advice and whether the Service being provided is of an advisory nature or otherwise.

R.1.3.9 Where a Regulated Person is either:

- (i) Enrolled in the Brokers List and proposes to place a Client's insurance requirements with an insurance undertaking which is neither a company authorised under the Insurance Business Act, 1998 nor a European insurance undertaking; or
- (ii) Licensed under the Investment Services Act, and proposes to transmit a Client's order for execution by another entity which is neither licenced under the Investment Services Act , nor a European Investment Firm,

the Regulated Person shall in good time, prior to the conclusion of a contract, inform the Client of the following:

- a) That the insurer with whom the Client's requirements are proposed to be placed or the company to which the order is proposed to be transmitted, is not a company authorised under the Insurance Business Act, 1998 or the Investment Services Act, 1994, as applicable;
- b) If the insurer with whom the Client's requirements are proposed to be placed or the company to which an order is proposed to be transmitted becomes insolvent, the Client may not be protected by the Protection and Compensation Fund established by the Insurance Business Act, 1998 or by the Investor Compensation Scheme established by the Investor Compensation Scheme Regulations, 2003 , as applicable;
- c) That the insurer with whom the Client's requirements are proposed to be placed or the company to which an order is proposed to be transmitted may not have a general representative in Malta and the Client may have difficulty in suing or executing judgement against the insurer or the company in question, as applicable;
- d) Whether the parties to the contract are entitled to choose the law applicable to the contract;
- e) That any premiums to be paid in respect of a contract of insurance or any funds provided to the Regulated Person for the purposes of purchasing a Product ,any claim that may arise in respect of the Insurance contract or any proceeds paid from such investments may have to be paid in foreign currency which is subject to exchange rate fluctuations;

R. 1.3.10 A Regulated Person shall also, in good time, prior to the conclusion of a contract, provide the Client with at least the following information:

- a) Whether a Manufacturer, an insurance undertaking or a parent undertaking of an insurance undertaking or a UCITS management company has a holding directly or indirectly, representing 10% or more of the voting rights of the capital in a Distributor, such insurance intermediary or UCITS Scheme;
- b) Whether a Distributor or an insurance intermediary or a UCITS Scheme has a holding direct, or indirect, representing 10% or more of the voting rights or of the capital in the Manufacturer, an insurance undertaking or a parent

undertaking of such insurance undertaking or of a UCITS management company.

Part A: Rules and Guidance applicable to Regulated Persons falling under points (i) (ii) or (v) of the definition of “Regulated Person” in the Glossary

R.1.3.11 For the purposes of this Part, a ‘Regulated Person’ means a person falling within point (i), (ii) or (v) of the definition of “Regulated Person” in the Glossary.

R.1.3.12 A Regulated Person shall provide, in good time, appropriate information to Clients about:

- (i) Financial instruments and proposed investment strategies;
- (ii) Execution venues

The information referred to in (i) and (ii) above shall include the details set out in R.1.4.16 (b) to (d) and R.1.4.71.

Such information shall be provided in a comprehensible form in such a manner that Clients are reasonably able to understand the nature and risks of the investment service and of the specific type of Financial Instrument that is being offered and, consequently, to take investment decisions on an informed basis.

R1.3.13 A Regulated Person shall provide appropriate information to its Clients on its order execution policy. The information provided shall explain clearly, in sufficient detail and in a way that can be easily understood by Clients, how orders will be executed for that Client. A Regulated person is required to obtain the prior consent of its Clients to the execution policy.

Where the order execution policy provides for the possibility that Client orders may be executed outside a trading venue, the Regulated Person shall, in particular, inform its Clients about this possibility. The Regulated Person shall obtain the prior express consent of its Clients before proceeding to execute their orders outside a trading venue. This consent may either be obtained in the form of a general agreement or in respect of individual transactions.

R1.3.14 A Regulated Person who executes Client orders is required to make public on an annual basis, for each class of Financial Instruments, the top five execution venues in terms of trading volumes where such Regulated Person has executed Client orders in the preceding year and information on the quality of the execution obtained. This information may be provided in summarised format.

R.1.3.15 The Regulated Person should inform Clients about the inducements that the Regulated Person may receive from the execution venues. The information should specify the fees charged by the Regulated Person to all counterparties involved in the transaction, and where the fees vary depending on the Client, the information should indicate the maximum fees or range of fees that may be payable. Where the Regulated Person charges more than one participant in a transaction, it shall inform its Clients of the value of any monetary or non-monetary benefits received by it.

Part B: Rules Applicable to holder of an investment services licence the meaning of the Investment Service Act, 1994 and which qualify as UCITS Management Companies

R.1.3.16 For the purposes of this Part, a 'Regulated Person' means an investment services licence holder within the meaning of the Investment Services Act, which qualifies as a UCITS Management Company.

R.1.3.17 Where the Regulated Person has carried out a subscription or redemption order received from a Client, it shall notify the said Client, by means of a durable medium, confirming execution of the order as soon as possible, and no later than the first business day following execution, or where the confirmation is received by the Regulated Person from a third party, no later than the first business day following receipt of the confirmation from the third party. The notice shall, *inter alia*, include the identification of the Regulated Person and the Client.

Part C: Rules Applicable to Regulated Person which fall under paragraph (iii) of the relevant definition in the Glossary

R.1.3.18 For the purposes of this section, a 'Regulated Person' means a person falling under point (iii) of the definition of "Regulated Person" in the Glossary that carries on long term insurance business.

R.1.3.19 Regulated Persons shall provide a concrete reference to the report on its solvency and financial condition as laid down in Article 51 of the Solvency II Directive allowing the policyholder easy access to this information.

Part D: Rules Applicable to Regulated Persons falling under point (iv) of the definition of 'Regulated Person' in the Glossary

R.1.3.20 For the purposes of this section, the term Regulated Person shall mean a person falling under point (iv) of the definition of Regulated Person in the Glossary that acts as an insurance broker, an insurance agent or an insurance manager holding an appointment with authority to enter into contracts of insurance and whose

appointment is governed by an agreement which has the effect of an agency agreement.

R.1.3.21 A Regulated Person shall in good time, prior to the conclusion of any contract, inform the Client whether it is representing the Client or is acting for and on behalf of an Insurance Undertaking.

R.1.3.22 Where a Regulated Person as referred to in R.1.3.20 proposes to place a Client's insurance requirements with an underwriting member of Lloyds, it shall make the following disclosures to the Client:

- a) A description of the relationship which the Regulated Person has with the underwriting member of Lloyd's subscribing to the policy;
- b) Explain that a contract of insurance underwritten at Lloyd's is underwritten by underwriting members with several liability and not joint and is limited solely to the extent of each Lloyd's underwriting member's subscription. The subscribing Lloyd's underwriting members are not responsible for the subscription of any co-subscribing Lloyd's underwriting member or other insurer who for any reason does not satisfy all or part of its obligations. However, the Regulated Person should also explain that:
 - (i) The Lloyd's Central Fund may be made available at the discretion of the Council of Lloyd's to meet the liabilities of each of those underwriting members of Lloyd's who are not financially able to meet their own liabilities; and
 - (ii) In the eventuality of claims remaining unpaid in respect of contracts of insurance which are concluded in Malta and which are entered into by a Lloyd's approved Maltese cover holder due to the financial inability of an underwriting member of Lloyd's to meet its liabilities, limited compensation may be available to the Client from the Protection and Compensation Fund established under the Insurance Business Act, 1998;
- c) Give the name and address of Lloyd's representative in Malta and explain that the representative of Lloyd's in Malta is authorised to act generally as judicial representative of, and accept service of any document on behalf

of, Lloyd's and of each of its underwriting members and to file any judicial acts in the registry of any court or similar authority in Malta on behalf of Lloyd's or any of its underwriting member;

- d) Furnish all policy details as are specified by or under article 48A of the Insurance Business Act, 1998, particularly:
 - (i) The number reference and date of the policy;
 - (ii) The identifying number of each of the syndicates subscribing to the policy; and
 - (iii) Where known, the names of the underwriting members of Lloyd's comprising those syndicates.

- e) Where the contract is to be underwritten through a person enrolled in the Agents List acting as coverholder for the underwriting member of Lloyd's, the name and address of the insurance agent are to be disclosed.

Section 4: DISCLOSURES ON THE SERVICES AND PRODUCTS PROVIDED BY THE REGULATED PERSON

Application

- R.1.4.1 The Rules and any relative Guidance set out under the heading “General Rules” and under Parts A and C below shall apply to all Regulated Persons, except as otherwise indicated.
- R.1.4.2 The Rules and the relative Guidance set out under Parts B shall apply to Regulated Persons falling within point (i), (ii) or (v) of the definition of Regulated Persons in the Glossary or to UCITS Management Companies, as applicable.
- R.1.4.3 The Rules and any relative Guidance set out under Part D shall apply to Regulated Persons falling under point (i) or (ii) of the definition of ‘Regulated Person’ in the Glossary, UCITS Management Companies or a collective investment schemes licensed under the Investment Services Act, 1994 and qualifying as a UCITS.
- R.1.4.4 The Rules and any relative Guidance set out under Part E below shall apply to Regulated Persons falling under points (iii) or (iv) of the definition of Regulated Person in the Glossary.
- R.1.4.5 The Rules and any relative Guidance set out under Part F shall apply to Regulated Persons falling under point (iv) of the definition of Regulated Person in the Glossary.
- R.1.4.6 The requirements of this Chapter are without prejudice to the requirements of the Distance Selling (Retail Financial Services) Regulations, 2005 (L.N.36 of 2005).

General Rules

- R.1.4.7 A Regulated Person shall ensure that all information it addresses to, or disseminates to Clients, including marketing communications, satisfies the conditions laid down in R.1.4.8, R.1.2.13, R.1.2.48, R.1.2.56, R.1.2.49, R.1.2.50, R.1.2.51.
- R.1.4.8 A Regulated Person shall ensure that the information referred to in R.1.4.7 complies with the following conditions:
- a) The information includes the name of the Regulated Person;

The information is accurate and always gives a fair and prominent indication of any relevant risks when referencing any potential benefits of a Product or Service;

- b) The information uses a font size in the indication of relevant risks that is at least equal to the predominant font size used throughout the information provided, as well as a layout ensuring such indication is prominent;
- c) The information is sufficient for, and presented in a way that is likely to be understood by, the average member of the identified target market to whom it is directed, or by whom it is likely to be received;
- d) The information not disguise, diminish or obscure important items, statements or warnings;
- e) The information is consistently presented in the same language throughout all forms of information and marketing materials that are provided to each Client, unless the Client has accepted to receive information in more than one language.
- f) The information is up to date and relevant to the means of communication used.

R.1.4.9 When a Service is offered together with another Product or Service as part of a package or as a condition for the same agreement or package, the Regulated Person shall inform the Client whether it is possible to buy the different components separately and, in such case, shall provide an adequate description of the different components of the agreement or package as well as separate evidence of the costs and charges of each component.

In the case of Insurance contracts, the provisions of this Rule shall also apply where an insurance product is ancillary to a good or service which is not insurance, as part of a package or the same agreement, with the exception of insurance products ancillary to an investment service or activity as defined in point 2 of article 4(1) of Directive 2014/65/EU, a credit agreement as defined in point 3 of article 4 of Directive 2014/17/EU or a payment account as defined in point 3 of article 2 of Directive 2014/92/EU.

R.1.4.10 Where the risks, and, in the case of Insurance contracts, insurance coverage, resulting from such an agreement or package offered to a retail Client are likely to be different from the risks associated with the components taken separately, the Regulated Person shall provide an adequate description of the different components of the agreement or package and the way in which its interaction modifies the risks, and insurance coverage.

Provided that, in the case of Insurance contracts, the provisions of this Rule and of R.1.4.8 shall not prevent the distribution of insurance products with different levels of insurance coverage or multi-risk insurance policies.

- R.1.4.11 A Regulated Person must provide each Client with the terms and conditions attaching to a product or service, in a durable medium, before the Client enters into a contract for that Product or Service.

Disclosure Duties

- R.1.4.12 The Regulated Person shall explain to the Client his duty to disclose all circumstances material to the Product or Service being provided and the consequences of any failure to make such a disclosure, both before the Product or Service is provided and throughout the duration of the Service provided. The Regulated Person shall also take account of the information the Client discloses.
- R.1.4.13 In the completion of an application form, proposal form, claim form, or any other material document, as applicable, the Regulated Person shall make it clear that all the answers or statements are the Client's own responsibility. The Client should always be requested to check the details. In the case of a contract of insurance, the Regulated Person shall inform the client that incomplete and/or inaccurate information may result in a claim being repudiated.

Telephone sales

- R 1.4.14 If a Regulated Person's initial contact with a Client or potential Client with a view to providing a Product or Service is by telephone then the following information should be provided before proceeding further:
- (a) The name of the Regulated Person and, if the call is initiated by or on behalf of a Regulated Person, the commercial purpose of the call;
 - (b) Where relevant, whether the Regulated Person provides independent advice or restricted advice.
 - (c) The Regulated Person's charging structure, where applicable; and
 - (d) That the information given under (a) to (c) will subsequently be confirmed in writing.
- R.1.4.15 In cases where Regulated Persons make initial contact with a Client on the telephone a Regulated Person shall, in addition, take into account and comply with

the requirements of Distance Selling (Retail Financial Services) Regulations, 2005, where these are applicable. If the Client has chosen to obtain information given prior to the conclusion of the contract on Durable medium other than paper in accordance with R.1.1.7, information shall be provided by the Regulated Person to the Client in accordance with R.1.1.2 and R.1.1.6 immediately after the conclusion of the Insurance contract

Part A: Rules and Guidance Applying Generally to all Regulated Person with respect to Disclosure of Information on the Service being provided to Clients

Information about the Services Provided by the Regulated Person

R.1.4.16 A Regulated Person shall provide Clients, in a durable medium, in good time before the provision of a Service or ancillary service, the following general information, where relevant:

- a) The name and address of the Regulated Person, and the contact details necessary to enable Clients to communicate effectively with the Regulated Person;
- b) The languages in which the Client may communicate with the Regulated Person, and receive documents and other information from the Regulated Person;
- c) The methods of communication to be used between the Regulated Person and the Client including, where relevant, those for the sending and reception of orders, or the placing of insurance;
- d) A statement of the fact that the Regulated Person is authorised and the name and contact address of the Authority that has authorised it;
- e) Where the Regulated Person is acting through a tied agent, a statement of this fact specifying the Member State in which that agent is registered;
- f) The nature, frequency and timing of the reports on the performance of the service to be provided by the Regulated Person to the Client;
- g) A description, which may be provided in summary form, of the conflicts of interest policy maintained by the Regulated Person;
- h) At the request of the Client requests, further details of that conflicts of interest policy in a durable medium or by means of a website (where that does not constitute a durable medium).

- i) The nature, frequency and timing of the reports on the performance of the service to be provided by the Regulated Person to the Client. In the case of a contract of insurance, this requirement would only apply to long term contracts of insurance.
- j) A description, which may be disclosed in summary form, of the policy required in terms of Chapter 3 of the Rulebook.
- k) The Information on Financial Instruments, Structured Deposits and Insurance-based investment products and proposed investment strategies which the Regulated Person is to provide to Client in good time shall include appropriate guidance on, and warnings of, the risks associated with investment in those Financial Instruments and/or Structured Deposits and/or Insurance-based investment products or in respect of particular investment strategies.

In addition, Regulated Persons falling within point (i), (ii) or (v) of the definition of Regulated Persons in the Glossary and UCITS Management Companies shall specify whether the Financial Instrument and/or Structured Deposit is intended for retail or professional Clients, taking account of the Identified Target Market.

In particular, the Regulated Person should specifically disclose the risk of Financial Instruments and/or Structured Deposits involving impediments or restrictions for the disinvestment or withdrawal. Information on impediments or restrictions shall include an illustration of the possible exit methods and consequences of any exit, possible constraints and issues and the estimated time frame for the sale of the Financial Instrument or the withdrawal of the Structured Deposit before recovering the initial costs of the transaction or deposit.

R.1.4.17 Notwithstanding the provisions of R.1.4.16 above, where the Regulated Person is a Distributor of insurance products in Malta, the information referred to in R.1.4.16 (as applicable) need not be given when such Distributor carries out distribution activities in relation to:

- a) The business of reinsurance;
- b) Large risks as defined by Article 5 of the Second Council Directive 88/357/EEC of the 22nd June 1988 on the coordination of laws, regulations and administrative provisions relating to direct insurance other than the

life assurance and laying down provisions to facilitate the effective exercise of freedom to provide services and amends Directive 73/239/EEC.

- c) Professional Clients.

Description of the nature of a Regulated Person's service

R.1.4.18 Regulated Persons shall provide retail Clients with in good time, in a durable medium, before a retail Client is bound by any agreement for the provision of Services or ancillary services or before the provision of those Services, whichever is the earlier on whether:

- a) It provides any type of advice about the products sold;
- b) Advice is provided on an independent basis or not. Regulated Persons shall inform clients about the nature and type of the advice provided to them. Regulated persons should explain in a clear and concise way whether and why investment advice qualifies advice as independent or non-independent and the type and nature of the restrictions that apply, including the prohibition to receive and retain inducements.

Where both independent and restricted advice are intended to be proposed or provided to the same Client, Regulated Persons shall:

- i) Explain the scope of both services to allow clients to understand the differences between them ; and
 - ii) Not present themselves as an independent investment advisor for the overall activity. Regulated Persons shall not give undue prominence to their independent advisory services over non-independent Services in their communications with Clients;
- c) Advice is based on a fair and personal analysis or a more restricted analysis of different types of Products or Financial Instruments and, in particular, whether the range is limited to Products or Financial Instruments issued or provided by entities having close links the with Regulated Person or any other legal or economic relationships, such as contractual relationships, so close as to pose a risk of impairing the independent basis of the advice provided.

When a Regulated Person provides Advice on an independent or a non-independent basis, it must explain to the Client the range of Products that may be recommended, including its relationship with the issuers or providers of the instruments.

Regulated Persons shall provide a description of the types of Products considered, the range of products and providers analysed per each type of product according to the scope of the Service, and, when providing independent advice, how the Service provided satisfies the conditions for the provision of advice on an independent basis and the factors taken into consideration in the selection process used by the Regulated Person to recommend Products, such as risks, costs and complexity of the Financial Instruments.

When the range of Products assessed by the Regulated Person providing advice on an independent basis includes the Regulated Person's own Products or those issued or provided by entities having close links or any other close legal or economic relationship with the Regulated Person as well as other issuers or providers, the Regulated Person shall distinguish, for each type of Product the range of the Products issued or provided by entities not having any links with the Regulated Person.

- d) It will provide the Client with a periodic assessment of the suitability of the product recommended to Client;

Provided that in the case of contracts of insurance, this requirement applies only to Insurance-based investment products.

Provided that, where an Insurance Intermediary or an Insurance Undertaking has informed the Client that it will carry out a periodic assessment of suitability, the periodic report shall contain an updated statement of how the Insurance-based investment product meets the Client's preferences, objectives and other characteristics of the Client;

In providing the Client with a periodic assessment of the suitability, the Regulated Person shall disclose:

- i) The frequency and extent of the periodic suitability assessment and where relevant, the conditions that trigger that assessment;
- ii) The extent to which the information previously collected will be subjected to re-assessment;
- iii) The way in which an updated recommendation will be communicated to the Client.

In providing periodic suitability statements, Regulated Persons shall review the suitability of the recommendations given in order to enhance the service at least annually. The frequency of his assessment should be increased depending on the risk profile of the Client and the type of Financial Instruments recommended.

- e) It is under a contractual obligation to conduct its activity exclusively with one or more Manufacturers. In that case, it shall provide the names of those Manufacturers. Where the Regulated Person is not under such a contractual obligation, and does not give advice on the basis of a fair and personal analysis, it shall provide the names of the Manufacturers with which it may and does conduct business.

R.1.4.19 When providing Advice, the Regulated Person shall, before the transaction is made or prior to the conclusion of the contract, provide the retail Client with a statement on suitability in a durable medium specifying the advice given and how that Advice meets the preferences, objectives and other characteristics of that Client.

Where the agreement to buy or sell a Product using a means of distance communication which prevents the prior delivery of the suitability statement, the Regulated Person providing the Service, may provide the written statement on suitability in a durable medium immediately after the Client is bound by any agreement, provided both the following conditions are met:

- (a) The Client has consented to receiving the suitability statement without undue delay after the conclusion of the transaction; and
- (b) The Regulated Person has given the Client the option of delaying the transaction in order to receive the statement on suitability in advance.

Content and wording of disclosure relating to the independence of the services offered.

R.1.4.20 A Regulated Person must include the term "independent advice" or "restricted advice" or both, as applicable, in the disclosure. Where no advice has been given, the Regulated Person must also disclose this fact.

R.1.4.21 If a Regulated Person provides independent advice in respect of a particular product for which there is a restricted market, a Regulated Person must include in the disclosure an explanation of that market, including the types of Products which constitute that market.

R.1.4.22 If a Regulated Person provides restricted advice, its disclosure must explain the nature of the restriction.

R.1.4.23 If a Regulated Person provides both independent advice and restricted advice, the disclosure must clearly explain the different nature of the independent advice and restricted advice services.

- G 1.4.1 *A Regulated Person that provides both independent advice and restricted advice should not hold itself out as acting independently for its business as a whole.*
- G 1.4.2 *A Regulated Person that gives advice in relation to contracts of insurance on the basis of a fair and personal analysis, but offers restricted advice on retail investment products should not hold itself out as acting independently for its business as a whole, for example by holding itself out as an independent financial adviser. However, it may disclose that it gives advice in relation to contracts of insurance on the basis of a fair analysis provided it makes clear in accordance with the fair, clear and not misleading rule that it provides restricted advice for retail investment products.*
- R.1.4.24 Where a Regulated Person does not provide a product or service on the basis of a fair and personal analysis of the market, it must clearly disclose to the Client the names of those Manufacturers whose Products or Services, the Regulated Person intends to consider as part of its analysis.
- R.1.4.25 Where a Regulated Person is tied to a single Manufacturer for a particular Product or Service, it must disclose this fact to the Client in all communications with the Client in relation to that particular Product or Service.
- G 1.4.3 *Where a Regulated Person does not provide all of its services in an independent capacity, it must explain the different nature of its services in a way that seeks to inform the Client. It must ensure that there is no ambiguity about the range of Services that it provides in an independent capacity.*

Disclosure of applicable costs and charges

- R.1.4.26 Regulated Persons shall, in good time, prior to providing a Product or a Service to a Client, disclose to such Client information relating to all costs and associated charges related to a Product or Service and its distributor, which must include the cost of advice, where relevant, the cost of the Product recommended or marketed to the Client also encompassing any third party payments. The Regulated person should also specify how the Client may pay such costs.

The information referred to in the paragraph above, including costs and charges in connection with the Products and/or Services disclosed to the Client, which are not caused by the occurrence of underlying market risk, shall be aggregated to allow the Client to understand the overall cost as well as the cumulative effect on return of the Product, and where the Client so requests, an itemised breakdown of such costs shall be disclosed. Where applicable, such information shall be disclosed to the Client on a regular basis, at least annually, until the Product matures or is redeemed by the Client.

G.1.4.4 In good time prior to providing a Product or Service to a Client, a Regulated Person must provide the Client on a durable medium, a breakdown of all charges, including third party charges, which will be passed on to the Client and where such charges cannot be ascertained in advance, notify the Client that such charges will be levied as part of the transaction.

G.1.4.5 A Regulated Person is recommended to display in its public offices, in a manner that is easily accessible to Clients, a schedule of fees and charges imposed by that Regulated Person. If the Regulated Person has a website, it should also include in it its schedule of fees and charges.

Part B: Rules and Guidance Applicable to Regulated Persons falling within point (i), (ii) or (v) of the definition of Regulated Persons in the Glossary or to UCITS Management Companies, as applicable

R.1.4.27 For the purposes of this section, the term Regulated Person shall mean a person falling under point (i), (ii) or (v) of the definition of Regulated Person in the Glossary or UCITS Management Companies, as applicable.

R.1.4.28 Regulated Persons shall, in good time before a Client is bound by any agreement for the provision of Services or ancillary services or before the provision of those Services, whichever is the earlier, to provide that Client with the following information:

- a) The terms of any such agreement;
- b) The information required by R.1.4.16, R.1.4.46 and R.1.4.47 relating to that agreement or to those investment or ancillary services.
- c) In addition to the requirements of R.1.4.16, the Regulated Person falling within point (i) of the definition of Regulated Person in the Glossary and holding Client financial instruments or Clients' monies, shall provide a summary description of the steps which it takes to ensure their protection, including the information referred to in R. 1.3.6 (iv).

R.1.4.29 The Regulated Person shall provide Clients in good time before the provision of Investment services or Ancillary services to Clients with a general description of the nature and risks of Financial Instruments, taking into account, in particular, the Client's categorisation as either a Retail Client, Professional Client or Eligible counterparty. That description shall explain the nature of the specific type of Financial Instrument concerned, the functioning and performance of Financial Instruments and/or Structured Deposits in different market conditions, including

both positive and negative performance, as well as the risks particular to that specific type of Financial Instrument in sufficient detail to enable the Client to take investment decisions on an informed basis.

R.1.4.30 The description of risks shall include, where relevant to the specific type of Financial Instrument concerned and the status and level of knowledge of the Client, the following elements:

- (a) The risks associated with that type of Financial Instrument including an explanation of leverage and its effects and the risk of losing the entire investment including the risks associated with insolvency of the issuer or related events, such as bail in;
- (b) The volatility of the price of such instruments and any limitations on the available market for such instruments ;
- (c) Information on impediments or restrictions for disinvestment, for example as may be the case for illiquid Financial Instruments of Financial instruments with a fixed investment term, including an illustration of the possible exit methods and consequences of any exit, possible constraints and the estimated time frame for the sale of the Financial Instrument before recovering the initial costs of the transaction in that type of Financial Instruments;
- (d) The fact that an investor might assume financial commitments and other additional obligations, including contingent liabilities, additional to the cost of acquiring the Financial Instruments in question, as a result of transactions in such Financial Instruments;
- (e) Any margin requirements or similar obligations, applicable to Financial Instruments of that type.

R.1.4.31 If a Regulated Person provides a retail Client with information about a Financial Instrument that is the subject of a current offer to the public and a prospectus has been published in connection with that offer in accordance with Directive 2003/71/EC (“the Prospectus Directive”), that Regulated Person shall in good time before the provision of Investment services or Ancillary services to Clients inform the Client where that prospectus is made available to the public.

R.1.4.32 Where a Financial Instrument is composed of two or more different Financial Instruments or Services, the Regulated Person shall provide an adequate description of the legal nature of the Financial Instrument, the component of that Financial Instrument and the way in which its interaction between the

components affects the risks of the investment. In case of Financial Instruments that incorporate a guarantee or capital protection, the Regulated Person shall provide a Client with information about the scope and nature of such guarantee or capital protection. When the guarantee is provided by a third party, the information about the guarantee shall include sufficient detail about the guarantor and the guarantee to enable the retail Client to make a fair assessment of the guarantee.

R.1.4.33 In the case of Instruments that incorporate a guarantee by a third party, the information about the guarantee shall include sufficient detail about the guarantor and the guarantee to enable the Retail Client to make a fair assessment of the guarantee.

R.1.4.34 A Regulated Person, before entering into securities financing transactions in relation to Financial Instruments held by it on behalf of a Client, or before otherwise using such Financial Instruments for its own account or on the account of another Client, shall in good time before the use of those Financial Instruments provide the Client, in a durable medium, with clear, full and accurate information on the obligations and responsibilities of the Regulated Person with respect to the use of those Financial Instruments, including the terms for their restitution, and on the risks involved.

R.1.4.35 In addition to the disclosures required under R.1.4.16 (b) to (d), R.1.4.16(j) as well as the disclosures required in terms of R.1.5.12 and R.1.5.15, The Regulated Person shall provide the Client with the relevant information about the investment strategies being proposed by the Regulated Person (including appropriate guidance on and warnings of the risks associated with such investment strategies) and execution venues used by the Regulated Person for the execution of the Client's orders, if applicable. This information shall include:

- a) The name of the Regulated Person and its Services;
- b) Structured Deposits, Financial Instruments or proposed investment strategies, as applicable. This should include appropriate guidance on and warnings of the risks associated with the Structured Deposit or Financial Instrument or in respect of particular investment strategies;
- c) Execution venues, where applicable;
- d) Costs and associated charges.

The information for the purposes of this Rule may be provided in standardized format.

Information provided in accordance with Directive 2009/65/EC and Regulation (EU) No1286/2014

R.1.4.36 Regulated Persons distributing units in collective investment schemes or PRIIPs shall additionally inform their Clients about any other costs and associated charges related to the product which may have not been included in the UCITS KID or PRIIPs KID and about the costs and charges relating to their provision of investment services in relation to that Financial instrument.

Information concerning Client categorisation

R.1.4.37 Regulated Persons shall notify new Clients, and existing Clients of their categorisation as a retail Client, a professional Client or an Eligible Counterparty).

R.1.4.38 Regulated Persons shall inform Clients in a durable medium about any right that a Client has to request a different categorisation and about any limitations to the level of Client protection that it would entail.

R.1.4.39 Where the Client of a Regulated Person is an undertaking falling within the definition of 'Professional Client', the Regulated Person must inform it prior to any provision of Services that, on the basis of the information available to the Regulated Person, the Client is deemed to be a Professional Client, and will be treated as such unless the Regulated Person and the Client agree otherwise. The Regulated Person must also inform the Client that he can request a variation of the terms of the agreement in order to secure a higher degree of protection.

Reporting Obligations in respect of execution of orders other than for portfolio management

R.1.4.40 Where a Regulated Person has executed an order, other than for portfolio management, on behalf of a Client, it shall in respect of that order:

- a) Promptly provide the Client, in a durable medium, with the essential information concerning the execution of that order;
- b) Send a notice to the Client in a durable medium confirming execution of the order as soon as possible and no later than the first business day following execution or, where the confirmation is received by the Regulated Person from a third party, no later than the first business day following receipt of the confirmation from the third party;

- c) In the case of Eligible Counterparties, Regulated Persons shall be allowed to enter into agreements with such counterparties to determine content and timing of reporting which are different from those applicable to retail and professional clients.

Point (b) shall not apply where the confirmation would contain the same information as a confirmation that is to be promptly dispatched to the Retail Client by another person.

Points (a) and (b) shall not apply where orders executed on behalf of Clients relate to bonds funding mortgage loan agreements with the said Clients, in which case the report on the transaction shall be made together with the consolidated terms of the mortgage loan, but no later than one month after the execution of the order.

R.1.4.41 In addition to the requirements set out in R.1.4.40 above, the Regulated Person shall supply the Client, on request, with information about the status of his order.

R.1.4.42 In the case of Client orders relating to units or shares in a collective investment undertaking which are executed periodically, the Regulated Person shall either take the action specified in point (b) of R.1.4.40 or provide the Retail Client, at least once every six months, with the information listed in R.1.4.43 in respect of those transactions.

R.1.4.43 The notice referred to in point (b) of R.1.4.40 shall include such of the following information as is applicable, and where relevant, in accordance with the regulatory technical standards on reporting obligations adopted in accordance with Article 26 of Regulation (EU) no 600/2014:

- a) The reporting Regulated Person's identification;
- b) The name or designation of the Client;
- c) The trading day;
- d) The trading time;
- e) The type of the order;
- f) The venue identification;

- g) The Instrument identification;
- h) The buy/sell indicator;
- i) The nature of the order if other than buy/sell;
- j) The quantity;
- k) The unit price;
- l) The total consideration;
- m) A total sum of the commissions and expenses charged and, where the Client so requests, an itemised breakdown, including where relevant, the amount of any mark-up or mark-down imposed where the transaction was executed by an investment firm when dealing on own account, and the Regulated Person owes a duty of best execution to the client
- n) The rate of exchange obtained where the transaction involves a conversion of currency;
- o) The Client's responsibilities in relation to the settlement of the transaction including the time limit for payment or delivery as well as the appropriate account details where these details and responsibilities have not previously been notified to the Client;
- p) Where the Client's counterparty was the Regulated Person itself or any person in the Regulated Person's group or another Client of the Regulated Person, the fact that this was the case unless the order was executed through a trading system that facilitates anonymous trading.

For the purposes of (k) above, where the order is executed in tranches, the Regulated Person may supply the Client with information about the price of each tranche or the average price. Where the average price is disclosed, the Regulated Person shall supply the Retail Client with information about the price of each tranche upon request.

R.1.4.44 The Regulated Person may provide the Client with the information referred to in R.1.4.43 using standard codes if it also provides an explanation of the codes used.

R.1.4.45 Where the Regulated Person has carried out a subscription or redemption order from a unit-holder, it shall notify the Client, by means of a durable medium, confirming execution of the order as soon as possible, and no later than the first business day following execution, or where the confirmation is received by the Regulated Person from a third party, no later than the first business day following receipt of the confirmation from the third party. Provided that the above shall not apply where the notice to the unit-holder would contain the same information as a confirmation that is to be promptly dispatched to the unit-holder by another person.

Where orders for a unit-holder are executed periodically, the Regulated Person shall either take the action specified above or provide the unit-holder, at least once every 6 months, with the notice referred to above in respect of those transactions.

The notice referred to above shall, where applicable, include the following information:

- (a) The identification of the Regulated Person as referred to in R.1.3.17;
- (b) The name or other designation of the unit-holder as referred to in R.1.3.17;
- (c) The date and time of receipt of the order and method of payment;
- (d) The date of execution;
- (e) The UCITS identification;
- (f) The nature of the order (subscription or redemption);
- (g) The number of units involved;
- (h) The unit value at which the units were subscribed or redeemed;
- (i) The reference value date;
- (j) The gross value of the order including charges for subscription or net amount after charges for redemptions;
- (k) A total sum of the commissions and expenses charged and, where the investor so requests, an itemised breakdown.

The Regulated Person shall provide the unit-holder, upon request, with information about the status of the order.

Reporting Obligations in Respect of Portfolio Management Services

- R.1.4.46 Where a Regulated Person proposes to provide portfolio management services to a Client, it shall provide the Client, in good time before the provision of Services or ancillary services to Retail Clients, in addition to the information required under R.1.4.16, with such of the following information as is applicable:
- (a) Information on the method and frequency of valuation of the Financial instruments in the Client portfolio;
 - (b) Details of any delegation of the discretionary management of all or part of the Financial Instruments or funds in the Client portfolio;
 - (c) A specification of any benchmark against which the performance of the Client portfolio will be compared;
 - (d) The types of Financial Instrument that may be included in the Client portfolio and types of transaction that may be carried out in such Financial Instruments, including any limits;
 - (e) The management objectives, the level of risk to be reflected in the manager's exercise of discretion, and any specific constraints on that discretion.
- R.1.4.47 When providing the service of portfolio management, the Regulated Person shall establish an appropriate method of evaluation and comparison such as a meaningful benchmark, based on the investment objectives of the Client and the types of Financial Instruments included in the Client portfolio, so as to enable the Client for whom the Services provided to assess the Regulated Person's performance.
- R.1.4.48 The Regulated Person which provides the Service of portfolio management to Clients shall provide each such Client with a periodic statement in a durable medium of the portfolio management activities carried out on behalf of that Client unless such a statement is provided by another person.
- R.1.4.49 In the case of Clients, the periodic statement required above shall provide a fair and balanced review of the activities undertaken and of the performance of the

portfolio during the reporting period and shall include wherever relevant, the following information:

- a) The name of the Regulated Person;
- b) The name or other designation of the Retail Client's account;
- c) A statement of the contents and the valuation of the portfolio, including details of each Financial Instrument held, its market value, or fair value if market value is unavailable and the cash balance at the beginning and the end of the reporting period, and the performance of the portfolio during the reporting period;
- d) The total amount of fees and charges incurred during the reporting period, itemising at least total management fees and total costs associated with execution, and including where relevant, a statement that a more detailed breakdown will be disclosed on request;
- e) A comparison of performance during the period covered by the statement with the investment performance benchmark (if any) agreed between the Regulated Person and the Client;
- f) The total amount of dividends, interest and other payments received during the reporting period in relation to the Client's portfolio;
- g) Information about other corporate actions giving rights in relation to Financial Instruments held in the portfolio;
- h) For each transaction executed during the period, the information referred in R.1.4.43(c) to (l) where relevant, unless the Client elects to receive information about executed transactions on a transaction-by-transaction basis, in which case R.1.4.51 shall apply.

R. 1.4.50 The periodic statement referred to in R. 1.4.66 shall be provided every quarter, except in the following cases:

- a) Where the Regulated Person provides its clients with access to an online system, which qualifies as a durable medium, where up to date valuations of the client's portfolio can be accessed and where the Client can easily access the information required by R.1.4.56 and the Regulated Person has evidence that the client has accessed a valuation of their portfolio at least once during the quarter.
- b) In cases where R.1.4.51 applies, the periodic statement must be provided at least once every 12 months;
- c) Where the agreement between a Regulated Person and a Client for a portfolio management service authorises a leveraged portfolio, the periodic statement must be provided at least once a month.

The exception provided for in point (b) shall not apply in case of transactions in securities giving the right to acquire or sell any such transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or measures or in Instruments included in points (4) to (10) of the Second Schedule to the Investment Services Act.

R.1.4.51 The Regulated Person shall, in cases where the Client elects to receive information about executed transactions on a transaction-by-transaction basis, disclose promptly to the Client, on the execution of a transaction by the portfolio manager, the essential information concerning that transaction in a durable medium.

The Regulated Person shall send the Client a notice confirming the transaction and containing the information referred to in R.1.4.43 no later than the first business day following that execution or, where the confirmation is received by the investment firm from a third party, no later than the first business day following receipt of the confirmation from the third party.

The second subparagraph shall not apply where the confirmation would contain the same information as a confirmation that is to be promptly dispatched to the Client by another person.

Where the Client concerned is a Retail Client, the Regulated Person must send him a notice confirming the transaction and containing the information referred to in R.1.4.43 no later than the first business day following that execution or, if the confirmation is received by the Regulated Person from third party, no later than the first business day following sub-paragraph shall not apply where the

confirmation would contain the same information as a confirmation that is to be promptly dispatched to the Retail Client by another person.

R.1.4.52 A Regulated Person shall ensure, for each portfolio transaction relating to UCITS, that a record of information which is sufficient to reconstruct the details of the order and the executed transaction is produced without delay. Such record shall include:

- (a) The name or other designation of the UCITS and of the person acting on account of the UCITS;
- (b) The details necessary to identify the instrument in question;
- (c) The quantity;
- (d) The type of the order or transaction;
- (e) The price;
- (f) For orders, the date and exact time of the transmission of the order and name or other designation of the person to whom the order was transmitted, or for transactions, the date and exact time of the decision to deal and execution of the transaction;
- (g) The name of the person transmitting the order or executing the transaction;
- (h) Where applicable, the reasons for the revocation of an order;
- (i) For executed transactions, the counterparty and execution venue identification.

Additional Reporting Obligations for Portfolio Management or Contingent Liability Transactions.

R.1.4.53 Regulated Persons providing the service of portfolio management shall inform the Client where the overall value of the portfolio, as evaluated at the beginning of each reporting period, depreciates by 10% and thereafter at multiples of 10%, no later than the end of the business day in which the abovementioned threshold is exceeded or, in a case where the said threshold is exceeded on a non-business day, the close of the next business day.

R.1.4.54 Regulated Persons that hold a retail client account that includes positions in leveraged financial instruments or contingent liability transactions shall inform the

client, where the initial value of each instrument depreciates by 10% and thereafter at multiples of 10%. Reporting under this Rule should be on an instrument-by-instrument basis, unless otherwise agreed with the client, and shall take place no later than the end of the business day in which the threshold is exceeded or, in a case where the threshold is exceeded on a non-business day, the close of the next business day.

Statement of Client Financial Instruments or Client Money

R.1.4.55 A Regulated Person that holds Client Financial Instruments or Client money shall send at least on a quarterly basis , to each Client for whom it holds Financial Instruments or funds, a statement in a durable medium of those Financial Instruments or funds unless such a statement has been provided in any other periodic statement. Such statements shall be provided more frequently on Client request at commercial costs.

Provided that this Rule shall not apply to a credit institution authorised under Directive 2000/12/EC, relating to the taking up and pursuit of the business of credit institutions, in respect of deposits within the meaning of that Directive held by that institution.

R.1.4.56 The statement of Client assets referred to in R.1.4.55 above, shall include the following information:

- a) Details of all the Financial Instruments or funds held by the Regulated Person for the Client at the end of the period covered by the statement;
- b) The extent to which any Client Financial Instruments or Client funds have been the subject of securities financing transactions;
- c) The extent of any benefit that has accrued to the Clients by virtue of participation in any securities financing transactions, and the basis on which that benefit has accrued;
- d) A clear indication of the assets or funds which are subject to the rules of Directive 2014/65/EU and its implementing measures and those that are not, such as those that are subject to a Title Transfer Collateral Arrangements (TTCA);

- e) A clear indication of which assets are affected by some peculiarities in their ownership status, for instance due to some security interest; and
- f) The market or estimated value, when the market value is not available, of the Financial instrument included in the statement with a clear indication of the fact that the absence of a market price is likely to be indicative of a lack of liquidity. The evolution of the estimated value shall be done by the Regulated Person on a best effort basis.

In cases where the portfolio of a Client includes the proceeds of one or more unsettled transactions, the information referred to in point (a) may be based either on the trade date or the settlement date, provided that the same basis is applied consistently to all such information in the statement.

The periodic statement of client assets referred to in R.1.4.55 shall not be provided where the Regulated Person provides its Clients with access to an online system, which qualifies as a durable medium, where up-to-date statements of Client's Financial instruments or funds can be easily accessed by the Client and the Regulated Person has evidence that the Client has accessed this statement at least once during the relevant quarter.

R.1.4.57 A Regulated Person which holds Financial Instruments or funds and which carries out the service of portfolio management for a Client may include the statement of Client assets referred to in R.1.4.55 in the periodic statement it provides to that Client pursuant to R.1.4.48.

Where the Regulated Person holds or controls Financial Instruments or money belonging to Retail the Regulated Person shall provide those Clients with the information specified in R. 1.4.35 and R.1.4.58 to R.1.4.62 as is relevant.

R.1.4.58 The Regulated Person shall inform the Client where the Financial Instrument or funds of that Client may be held by a third party on behalf of the Regulated Person and of the responsibility of the Regulated Person for any acts or omissions of the third party and the consequences for the Client of the insolvency of the third party.

R.1.4.59 Where Financial Instruments of the Client may, be held in a Nominee account by a third party, the Regulated Person shall inform the Client of this fact and shall provide a prominent warning of the resulting risks.

R.1.4.60 The Regulated Person shall inform the Client where it is not possible for Client Financial Instruments held with a third party to be separately identifiable from the

proprietary Financial Instruments of that third party or of the Regulated Person and shall provide a prominent warning of the resulting risks.

R.1.4.61 The Regulated Person shall inform the Client where accounts that contain Financial Instruments or funds belonging to that Client are or will be subject to the law of a jurisdiction other than that of a Member State and shall indicate that the rights of the Client relating to those Financial Instruments or money may differ accordingly.

R.1.4.62 A Regulated Person shall inform the Client about the existence and the terms of any security interest or lien which the Regulated Person has or may have over the Client's Financial Instruments or funds, or any right of set-off it holds in relation to those Financial Instruments or funds. Where applicable, it shall also inform the Client of the fact that a depository may have a security interest or lien over, or right of set-off in relation to those Financial Instruments or funds.

Initial Information for Retail Clients on the Costs of Services Provided

R. 1.4.63 The Regulated Persons shall allow their Clients sufficient time to consider material information when they make their investment decisions. Therefore, the aggregated information about all costs and charges should be provided to Clients in good time.

G.1.4.6 *A Regulated Person may wish to consider disclosing as its charging structure a list of the Services it offers with the associated charges which will be used for calculating the charge for each service.*

G.1.4.7 *In order to meet the requirement in R.1.4.63, a Regulated Person should ensure that the disclosure of its charging structure is in clear and plain language and, as far as is practicable, uses cash terms. If a Regulated Person's charging structure is in non-cash terms, examples in cash terms should be used to illustrate how the charging structure will be applied in practice.*

G.1.4.8 *In order to meet its obligations under the fair, clear and not misleading rule and the Client's best interests rule, it a Regulated Person should ensure that:*

a) *The charging structure it discloses reflects, as closely as is practicable, the total charges to be paid and*

b) *If using hourly rates in its charging structure, it states whether the rates are indicative or actual hourly rates, provides the basis (if any) upon which the rates may vary and provides an approximate indication of the number of hours that the provision of each Service is likely to require.*

R.1.4.64 A disclosure under R.1.4.26 shall:

- (a) Be in cash terms (non-cash terms should be converted into illustrative cash equivalents);
- (b) Be in a durable medium in terms of Section 1 of this Chapter of this Rule Book on the Medium of Disclosure; and
- (c) If there are payments over a period of time, include the amount and frequency of each payment due, the period over which the adviser charge is payable and the implications for the retail Client if the Product is cancelled;

before the adviser charge is paid and, if there is no ongoing service, the sum total of all payments to date.

G.1.4.9 If the price of the Product may vary as a result of fluctuations in the financial markets and the adviser charge is expressed as a percentage of that price, a Regulated Person need not disclose to the retail Client the total adviser charge payable to the Regulated Person or any of its associates by the retail Client until after execution of the transaction, provided it then does so promptly.

G.1.4.10 To comply with the Rule on disclosure of total charges and the fair, clear and not misleading rule, a Regulated Person's disclosure of the total charge should:

- a) Provide information to the retail Client as to which particular Service a charge applied to;*
- b) Include information as to when payment of the charge is due;*
- c) Inform the retail Client if the total charges varies materially from the charges indicated for that Service in the Regulated Person's charging structure;*
- d) If an ongoing adviser charge is expressed as a percentage of funds under management, clearly reflect that the adviser charge may increase as the fund grows; and*
- e) If an ongoing adviser charge applies for an ongoing Service, clearly confirm the details of the ongoing Service, its associated charges, and how the retail Client can cancel this Service and cease payment of the associated charges.*

Scope of Disclosures – Point of Sale Disclosures (ex ante)

- R.1.4.65 When providing Services to Professional Clients, Regulated Persons shall be able to agree on a limited application of the detailed requirements relating to disclosures of costs and associated charges, except in the following situations:
- a) When the services of Advice or portfolio management are provided, or
 - b) When, irrespective of the Service provided, the Products concerned embed a derivative.
- R.1.4.66 When providing Services to eligible counterparties, Regulated persons shall be able to agree a limited application of these detailed requirements, except when, irrespective of the Service provided, the Products concerned embed a derivative and the eligible counterparty intends to offer them to its own Clients.

Post Sale Periodic Disclosures on Costs

- R.1.4.67 Regulated Persons shall provide annual post-sale information about all costs and charges related to both the Product(s) and Services, including Ancillary Service(s) where they have recommended or marketed the said Product(s) or where they have provided the client with the KID/KIID in relation to the Product (s) and they have/or have had an ongoing client relationship during the year. Such information shall be based on costs incurred and shall be provided on a personalised basis.
- R.1.4.68 Regulated Persons may choose to provide aggregated information on costs and charges of the investment Services and the Products together with any existing periodic reporting to Clients.

Costs and Charges to be aggregated

- R.1.4.69 Costs and charges listed in the Annex to this Chapter shall be aggregated both for ex-ante and ex-post disclosure to Clients.
- R.1.4.70 For ex-ante and ex-post disclosure of information on costs and charges to clients, Regulated Persons shall aggregate:
- a) All costs and associated charges levied by the Regulated Person or other parties where the client has been directed to such other parties, for the investment Service(s) and/or Ancillary Services provided to the client; and
 - b) All costs and associated charges associated with the manufacturing and managing of the Products.

- R.1.4.71 Third party payments received by a Regulated Person in connection with the investment Service provided to a client shall be and itemised separately and the aggregated costs and charges shall be totalled and expressed both as a cash amount and as a percentage.
- R.1.4.72 Regulated Persons are allowed to provide Clients with separate figures comprising:
- a) Aggregated initial costs and chargers;
 - b) Aggregated on going costs and charges; and
 - c) Aggregated exit costs.
- R.1.4.73 When more than one Regulated Person provides Services or Ancillary Services to the Client, each Regulated Person should provide information about the costs of the investment or ancillary services it provides. A Regulated Person that recommends or markets to its clients the services provided by another Regulated Person, shall aggregate the cost and charges of its services together with the cost and charges of the services provided by the other Regulated Person. A Regulated person shall take into account the costs and charges associated to the provision by other Regulated Persons of other services or Ancillary Services in addition to the costs and charges associated to the provision of other investment or ancillary services by other firms where it has directed the client to these other Regulated Persons.
- R.1.4.74 A Regulated Person shall disclose the duty on documents and any other tax payable by the Client on the purchase of the Product separately to any charges or fees.
- R.1.4.75 The obligation to provide in good time a full ex-ante disclosure of information about the aggregated costs and charges related to the Financial Instrument and to the investment or ancillary provided shall apply to Regulated Persons in the following situations:
- a) Where the Regulated Person recommends or markets Financial Instruments to Clients; or
 - b) Where the Regulated Person providing any investment services is required to provide Clients with a UCITS KIID or PRIIPs KID in relation to the relevant Financial Instruments, in accordance with relevant European Union legislation.
- R.1.4.76 Regulated Persons that do not recommend or market a financial instrument to the Client or are not obliged to provide the Client with a KID/KIID in accordance with

relevant Union legislation shall inform their clients about all costs and charges relating to the investment and/or ancillary service provided.

Methodology for the calculation of ex-ante figures.

R.1.4.77 The methodology for calculating ex ante figures should be based on the principle that the Regulated Person should use actually incurred costs as a proxy for the expected costs and charges. If actual cost are not available, the Regulated Person should make reasonable estimations of these costs.

R.1.4.78 Regulated Persons shall review ex ante assumptions based on the ex post experience and should make adjustments to these assumptions, if necessary.

Cumulative effect of costs on the return of the Client's investments

R.1.4.79 A Regulated Person shall provide its clients with an illustration who own the cumulative effect of costs on the return when providing investment Services. Such an illustration should be provided both on an ex-ante and ex-post basis. Regulated Person shall ensure that the illustration meets the following requirements:

- a) The illustration shows the effect of the overall costs and charges on the return of the investment;
- b) The illustration shows any anticipated spikes or fluctuations in the costs; and
- c) The illustration is accompanied by a description of the illustration.

R.1.4.80 Regulated Persons shall notify a Client in good time about any material change the information provided under R.1.4.16, R.1.4.29, R.1.4.31-R.1.4.33, R.1.4.35, R.1.4.46, R.1.4.47, and R.1.4.57-R.1.4.61, R.1.4.65, R.1.4.66, R.1.4.68, R.1.4.69, R.1.4.70-R.1.4.73, R.1.4.75, R.1.4.76-R.1.4.79 which is relevant to a Service that the Regulated Person is providing to that Client. That notification shall be given in a durable medium if the information to which it relates is given in a durable medium.

Part C: Rules and Guidance Applicable to all Regulated Persons regarding Disclosure of Information on the Product Being Offered to Clients

Provision of Product Information to Clients

R.1.4.81 A Regulated Person that sells a packaged retail investment product and/or an insurance-based investment product or a Structured Deposit product to a Retail Client or potential retail Client, must provide to that Client, prior to conclusion of a contract, a key information document which document shall be in line with the

Regulation of the European Parliament and of the Council on key information documents for investment products (PRIPs) and any Implementing Measures issued thereunder.

- G.1.4.11 A Regulated Person need not treat each of several transactions in respect of the same type of product as a new or different Service and so does not need to comply with the disclosure rules in this chapter in relation to each transaction. Nonetheless a Regulated Person should ensure that the Client has received all relevant information in relation to a subsequent transaction, such as details of product charges that differ from those disclosed in respect of a previous transaction.*
- R.1.4.82 Prior to offering, recommending, arranging or providing a Product, a Regulated Person must provide information, in a durable medium, to the Client about the main features and restrictions of the Product to assist the Client in understanding the Product.
- G.1.4.12 Where a Regulated Person provides information in accordance with the Rules in this Chapter, it must not do anything that might reasonably cause a Client to be mistaken about the identity of the Manufacturer of the product sold to the Client.*
- R.1.4.83 Prior to offering, recommending, arranging or providing a Product, a Regulated Person must provide a Client with information on the following, where relevant:
- a) Capital security;
 - b) The risk that some or all of the investment may be lost;
 - c) Leverage and its effects;
 - d) Any limitations on the sale or disposal of the product;
 - e) Restrictions on access to funds invested;
 - f) Restrictions on the redemption of the product;
 - g) The impact, including the cost, of exiting the product early;
 - h) The minimum recommended investment period;
 - i) The risk that the estimated or anticipated return on the investment product will not be achieved;

- j) The potential effects of volatility in price, fluctuation in interest rates, and/or movements in exchange rates on the value of the investment; and
- k) The level, nature, extent and limitations of any guarantee and the name of the guarantor.

Part D: Rules and Guidance applicable to Regulated Persons falling under point (i) or (ii) of the definition of ‘Regulated Person’ in the Glossary”, UCITS Management Companies or a collective investment schemes licensed under the Investment Services Act, 1994 and qualifying as a UCITS.

R.1.4.84 For the purposes of this Part, the term Regulated Person shall mean:

- a) a Regulated Person falling under point (i) or (ii) of the definition of ‘Regulated Person’ in the Glossary ;or
- b) a UCITS Management Company; or
- c) a collective investment scheme licensed under the Investment Services Act, 1994 and qualifying as a UCITS; or

Key investor information on UCITS

R.1.4.85 Self-managed UCITS Schemes licensed under the Investment Services Act, 1994 as well as UCITS Management Companies which sell UCITS directly or through another Regulated Person who acts on its behalf and under its full and unconditional responsibility (for every UCITS which they manage) shall provide Clients with a key investor information document on such UCITS in good time before their proposed subscription of units in such UCITS.

R.1.4.86 If a Regulated Person provides a Client with a key investor information document that meets the requirements the PRIIPS Regulation, or of Standard Licence Conditions 6.2.1 to 6.2.6 and 6.2.8 to 6.2.11 of Part BII of the Investment Services Rules for Retail Collective Investment Schemes and the requirements of Standard Licence Condition 3.23 of Part BI of the Investment Services Rules for Investment Services Providers and the KII Regulation, it will have provided appropriate information for the purpose of the requirement to disclose information to clients under the MIFID or, as applicable, on:

- a) On the investments and investment strategies of the UCITS and

- b) On costs and associated charges in respect of the UCITS itself, including the exit and entry commissions. Or

G.1.4.13 A key information document provides sufficient information in relation to the costs and associated charges in respect of the UCITS itself. However, a Regulated Person distributing units in a UCITS should also inform a Client about all of the other costs and associated charges related to the provision of its Services in relation to units in the UCITS.

R.1.4.87 Self-managed UCITS Schemes licensed under the Investment Services Act, 1994 as well as Regulated Persons managing UCITS Schemes and which do not sell UCITS directly or through another Regulated Person who acts on its behalf and under its full and unconditional responsibility (for every UCITS which they manage) shall provide key investor information to Manufacturers and Distributors offering units in such UCITS or in Products offering exposure to such UCITS upon their request. Any Regulated Persons selling or advising Clients on potential investments in UCITS, shall provide the key investor information to their Clients.

R.1.4.88 A paper copy of the key investor information shall be provided to investors free of charge.

R.1.4.89 Self-managed UCITS Schemes as well as UCITS Management Companies, shall provide the following documents for every UCITS managed, in a durable medium or by means of a website:

- a) Key investor information containing the information prescribed in R.1.4.86
- b) The prospectus and the latest published annual and half yearly reports

A paper copy of the above documents shall be delivered to the investor on request and free of charge.

R.1.4.90 A paper copy of the prospectus and the annual and half yearly reports of the master UCITS shall be delivered by the feeder UCITS to investors on request and free of charge.

Products requiring a prospectus under Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC (“the Prospectus Directive”)

- R.1.4.91 The Rules under this Part apply to Regulated Persons which sell products which require a prospectus to be issued under the Prospectus Directive.
- R.1.4.92 Where a prospectus, other than a prospectus falling within the scope of the Prospectus Directive represents or contains the terms of a contract between a Regulated Person and one or more of its Clients, this fact must be clearly stated in the prospectus.

Part E: Rules and Guidance Applicable to Regulated Persons falling under points (iii) and (iv) of the Definition of ‘Regulated Person’ in the Glossary

- R.1.4.93 For the purposes of this Part, the term “Regulated Person” shall mean a Regulated Persons falling under points (iii) and (iv) of the Definition of ‘Regulated Person’ in the Glossary.

Periodic communication to Clients

- R.1.4.94 The Regulated Person shall provide the Client with adequate reports on the Service provided in a durable medium. Those reports shall include periodic communication to Clients, taking into account the type and the complexity of Insurance-based investment products involved and the nature of the Service provided to the Client and shall include, where applicable, the costs associated with the transactions and Services undertaken on behalf of the Client.

Disclosures to be made before all contracts of insurance are concluded

- R.1.4.95 The Regulated Person shall, prior to the conclusion of an Insurance contract, provide the Client with objective and relevant information about the insurance product in a comprehensible form to allow that Client to make an informed decision, while taking into account the complexity of the insurance product and the type of Client.
- R.1.4.96 No information given shall be sufficient if the information given is accompanied by any oral or written statement which somehow negatives, qualifies or otherwise reduces its impact.
- R.1.4.97 The burden of proof that any information required has been furnished in accordance with the requirements of this Part rests on the Regulated Person.

Disclosures to be made before certain Insurance contracts are concluded.

- R.1.4.98. R.1.4.99 apply to a contract entered into by a Regulated Person when the effecting of the contract constitutes the carrying on in Malta of general business contracts and the risk covered by the contract is a risk situated in Malta.
- R.1.4.99 Before a non-life insurance contract is concluded the Regulated Person shall inform the Client:
- a) As to whether the parties to the contract are entitled to choose the law applicable to the contract and, if so, of the law which the Regulated Person proposes to choose, otherwise, if not, of the law which will be so applicable.
 - b) Of the arrangements for handling complaints concerning contracts by policy holders, including, where appropriate, the existence of a complaints body, without prejudice to the right to take legal proceedings;
 - c) Of any limited compensation which may be available under the Protection and Compensation Fund Regulations, 2003, if the Regulated Person is insolvent and unable to meet its obligations under the contract.
 - d) The amount and purpose of any charge or fee in addition to the premium. The amount of document duty is to be disclosed separately;
 - e) The date of inception of the policy.
- R.1.4.100 In relation to the distribution of non-life insurance products, the information referred to in R.1.4.64 shall be provided by way of a standardised insurance product information document on paper or on another durable medium.
- R.1.4.101 The insurance product information document referred to in R.1.4.100 shall be drawn up by the Manufacturer of the non-life insurance product.
- R.1.4.102 The insurance product information document shall:
- a) Be a short and stand-alone document;

- b) Be presented and laid out in a way that is clear and easy to read, using characters of a readable size;
- c) Be no less comprehensible in the event that, having been originally produced in colour, it is printed or photocopied in black and white;
- d) Be written in either Maltese or English, or, if agreed by the Client and the Distributor, in another language;
- e) Be accurate and not misleading;
- f) Contain the title 'insurance product information document' on the top of the first page;
- g) Include a statement that complete pre-contractual and contractual information on the product is provided in other documents.

R.1.4.103 The insurance product information document shall contain the following information:

- a) Information about the type of insurance;
- b) A summary of the insurance cover, including the main risks insured, the insured sum, and where applicable, the geographical scope and a summary of the excluded risks;
- c) The means of payment of premiums and the duration of payments;
- d) Main exclusions where claims cannot be made;
- e) Obligations at the start of the contract;
- f) Obligations during the term of the contract;
- g) Obligations in the event that a claim is made;
- h) The term of the contract including the start and end dates of the contract;
- i) The means of terminating the contract.

In order to satisfy the requirements of this Rule, Regulated Persons are required to abide by the provisions of the Commission Implementing Regulation (EU) 2017/1469 of the 11th August 2017 laying down a standardised presentation format for the insurance product information document.

G.1.4.14 In order to satisfy the requirements of R.1.4.99 (a) to (e), the Manufacturer may also wish to refer to the downloadable format of the product information document provided by the Commission and which is available on EIOPA's website (accessible through the following link: [https://eiopa.europa.eu/Pages/Supervision/Insurance/Editable-Template-for-the-Insurance-Product-Information-Document-\(IPID\).aspx](https://eiopa.europa.eu/Pages/Supervision/Insurance/Editable-Template-for-the-Insurance-Product-Information-Document-(IPID).aspx))

R.1.4.104 Where, in connection with an offer for or conclusion of a life insurance contract, the Regulated Person provides figures relating to the amount of potential payments above and beyond the contractually agreed payments, the Regulated Person shall provide the policy holder with a specimen calculation whereby the potential maturity payment is set out applying the basis for the premium calculation using three different rates of interest. This shall not apply to term insurances and contracts. The Regulated Person shall inform the Client in a clear and comprehensible manner that the specimen calculation is only a model of computation based on notional assumptions, and that the Client shall not derive any contractual claims from the specimen calculation.

In the case of insurances with profit participation, the Regulated Person shall inform the policy holder annually in writing of the status of the claims of the policy holder, incorporating the profit participation. Furthermore, where the Regulated Person has provided figures about the potential future development of the profit participation, the Regulated Person shall inform the Client of differences between the actual development and the initial data.

R.1.4.105 The information referred to in R.1.4.82 shall be provided in a clear and accurate manner, using a durable medium, in an official language of the Member State of commitment. In the case where the Client resides in Malta, the provisions of Rule 1.1.2(c) shall apply.

R.1.4.106 A Regulated Person providing an insurance quotation to a potential Retail Client must include the following information in the quotation, assuming that all details provided by the potential Retail Client are correct and do not change:

- a) The monetary amount of the quotation;
- b) The length of time for which the quotation is valid; and
- c) The full legal name of the relevant underwriter.

R.1.4.107 A Regulated Person must set out clearly in the quotation provided to the Retail Client any warranties or endorsements that apply to the policy. Where the quotation is provided on paper or on another durable medium, this information must not be in a smaller font size than other information provided in the document.

R.1.4.108 A Regulated Person providing an insurance quotation to a Client must set out clearly any discounts or loadings that have been applied in generating the quotation.

- R.1.4.109 A Regulated Person must, when offering a motor insurance policy to a Client, set out clearly for the Client the basis on which a Regulated Person may calculate the value of the vehicle for the purposes of settling a claim where the vehicle is deemed to be beyond economic repair following a road traffic accident, fire or theft.
- R.1.4.110 A Regulated Person must state the full legal name of the relevant insurer on all insurance policy documentation and renewal notices issued to a Client.
- R.1.4.111 A Regulated Person must explain to a Retail Client, at the proposal stage, the consequences for the Client of failure to make full disclosure of relevant facts. The explanation must include, where relevant,
- (a) That a policy may be cancelled;
 - (b) That claims may not be paid;
 - (c) The difficulty the consumer may encounter in trying to purchase insurance elsewhere.
- R.1.4.112 When offering a property or motor insurance policy to a Client, a Regulated Person must, where relevant, explain to the Client that, in the event of a claim, the Regulated Person may appoint its own builder or other expert to undertake restitution work on a property or motor vehicle.
- G.1.4.15* Prior to offering, recommending, arranging or providing an insurance policy where the premium may be subject to review by the insurance undertaking during the term of the policy, a Regulated Person must:
- (a) Explain clearly to the Client the risk that the premium may increase; and
 - (b) Provide the Client with details of the period for which the initial premium is fixed.
- This Rule shall not apply where the premium may be subject to review as a result of an alteration to the policy that is requested by the Client.
- R.1.4.113 The Regulated Person shall provide the following to Clients, as applicable:
- (a) The Statutory Notice required in terms of the Insurance Business (Long Term Business Contract Statutory Notice) Regulations, as prescribed in these Regulations (at the time the contract is entered into);

- (b) The Statutory Notice Required in terms of Rule 4 of the Insurance Intermediaries Rule 7. (Bancassurance statutory notice), as prescribed in this Rule, prior to the conclusion of any initial contract and if necessary, upon amendment or renewal thereof.

Part F: Rules Applying to Regulated Persons falling under point (iv) of the definition of Regulated Person in the Glossary.

- R.1.4.114 For the purposes of this Part, the term “Regulated Person” shall mean Regulated Persons falling under point (iv) of the definition of Regulated Person in the Glossary.
- R.1.4.115 Where a Regulated Person enrolled as an insurance broker accepts its own Client’s risk on behalf of an insurance undertaking under any underwriting agreement or a computer link arrangement, the said Regulated Person shall disclose that fact in a durable medium and in good time prior to the provision of the service, to the Client.

Section 5: DISCLOSURES ON CONFLICTS OF INTEREST

Application

R.1.5.1 The Rules and any relative Guidance set out under the heading “General Rules” shall apply to all Regulated Persons, except as otherwise indicated, provided that Regulated Persons falling under paragraph (iii) and (iv) of the definition of Regulated Person in the Glossary, shall only be required to adhere to requirements set out in this section in so far as they carry out the distribution of insurance-based investment products.

G.1.5.1 The requirements in the ‘General Rules’ section only apply where a Product or Service is provided by a Regulated Person. The status of the Client to whom the Product or Service is provided (as a retail Client, Professional Client or Eligible Counterparty) is irrelevant for this purpose.

R.1.5.2 The Rules and any relative Guidance set out under Part A shall apply to Regulated Persons falling under point (i) and point (v) of the definition of ‘Regulated Person’ in the Glossary, except as otherwise indicated.

R.1.5.3 The Rules and any relative Guidance set out under Part B shall apply to Regulated Persons falling under point (iv) of the definition of Regulated Persons in the Glossary.

R.1.5.4 The Rules and any relative Guidance set out under Part C shall apply to Regulated Persons falling under point (iii) of the definition of Regulated Persons in the Glossary.

General Rules

R.1.5.5 Where organisational or administrative arrangements made by the Regulated Person to prevent conflicts of interest from adversely affecting the interest of its Client are not sufficient to ensure, with reasonable confidence, that risks of damage to Client interests (or in the case of UCITS Management Companies, to the interests of UCITS or its unit-holders) will be prevented, the Regulated Person shall clearly disclose to the Client the general nature and sources of conflicts of

interest and the steps taken to mitigate those risks before undertaking business on its behalf.

The disclosure shall:

- a) be made in a durable medium; and
- b) include sufficient detail, taking into account the nature of the Client, to enable that Client to take an informed decision with respect to the Service in the context of which the conflict of interest arises.

R.1.5.6 Regulated Persons shall ensure that disclosure to Clients pursuant to Rule 1.5.5. above, is a measure of last resort that can be used only where the effective organisational and administrative arrangements established by the Regulated Person to prevent or manage its conflicts of interests, in accordance with R.3.16 are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the client will be prevented.

R.1.5.7 When disclosure of specific conflicts of interests is required, the disclosure shall clearly state that the organisational and administrative arrangements established by the Regulated Person to prevent or manage that conflict are not sufficient to ensure, with reasonable confidence that the risk of damage to the interest of the Client will be prevented. The disclosure to clients must be made in a durable medium and it must also include a specific description of the conflict of interest that arises in the provision of the Services and/or ancillary services, taking into account the nature of the clients to whom the disclosure is being made. That description must explain the general nature and sources of conflicts of interest, as well as the risks to the client that arise as a result of the conflict and the steps undertaken to mitigate these risks, in sufficient detail to enable that client to make an informed decision with respect to the investment or ancillary service in the context of which the conflicts of interest arise.

R.1.5.8 In the case of Regulated Persons falling under points (iii) and (iv) of the definition of Regulated Person in the Glossary, the disclosure referred to in R.1.5.5 shall be made by the Distributor offering the product in relation to which such disclosure is to be made.

- G.1.5.2 Regulated persons have a duty to take effective steps to identify, and prevent or manage conflicts of interest between themselves, including their managers, employees and Tied Agents or Tied Insurance Intermediaries, or any person indirectly linked to them by control and their Clients or between one Client and another and mitigate the potential impact of these risks as far as possible. When some residual risk of detriment to the Client's interests, or in the case of UCITS to one or more UCITS or other Clients nonetheless remains, clear disclosure to the Client of the general nature and sources of conflicts of interest to the Client and the steps taken to mitigate these risks shall be made before undertaking business on its behalf.*
- G.1.5.3 Where conflicts of interest arise and cannot be reasonably avoided, Regulated Persons shall disclose the general nature and source of the conflicts of interest to the Client, and shall ensure that any conflict does not result in damage to the interests of the Client.*
- G.1.5.4 The disclosure of conflicts of interest by a Regulated Person should not exempt it from the obligation to maintain and operate the effective organisational and administrative arrangements relating to the prevention of conflicts of interest. While disclosure of specific conflicts of interest is required by R.1.5.4, an over-reliance on disclosure without adequate consideration as to how conflicts may appropriately be managed is not permitted.*
- R.1.5.9 Regulated Persons who charge a fee and also receive commission in respect of the product or service provided to the Client, shall disclose to the Client, in good time, prior to the provision of a Service or Product, whether or not the commission will be offset against the fee, either in full or in part.
- R.1.5.10 A Regulated Person shall also be required to disclose the following information to Clients:
- a) a description which may be provided in summary form, of the conflicts of interest policy maintained by the Regulated Person;
 - b) at any time that the Client requests it, further details of such conflicts of interest policy in a durable medium or by means of a website.

Part A: Rules applicable to Regulated Persons falling under point (i) of the definition of 'Regulated Person' in the Glossary, including UCITS Management Companies, and Regulated Persons falling under point (v), as applicable

- R.1.5.11 For the purposes of this Part, a 'Regulated Person' means a person falling under point (i) of the definition of Regulated Person in the Glossary including a UCITS Management Companies, or a person falling under point (v) of the definition of Regulated Person in the Glossary, as applicable.
- R.1.5.12 A Regulated Person shall, in a manner that is comprehensive, accurate and understandable, prior to the provision of the relevant Services or Ancillary Service, clearly disclose to the Client the existence, nature and amount of any payment or benefit designed to enhance the quality of the relevant Service to the Client, as defined in R.3.10 of this Rulebook or, where the amount cannot be ascertained, the method of calculating that amount. Minor non-monetary benefits may be described in a generic way. Other non-monetary benefits received or paid to the Regulated Person in connection with the investment service provided to a client shall be priced and disclosed separately.
- R.1.5.13 Where a Regulated Person is unable to ascertain on an ex-ante basis the amount of any payment or benefit to be received or paid, and instead discloses to the Client the method of calculating that amount in terms of R.1.5.12, the Regulated Person shall also provide its Clients with information of the exact amount of the payment or benefit received or paid on an ex-post basis;
- R.1.5.14 At least once a year, as long as (on-going) inducements are received by the Regulated Person in relation to the investment services provided to the relevant Clients, the Regulated Person shall inform its Clients on an individual basis about the actual amount of payments or benefits received or paid. Minor non-monetary benefits may be described in a generic way.
- R.1.5.15 Where applicable, the Regulated Person shall also inform the Client on mechanisms for transferring to the Client the fee, commission, monetary or non-monetary benefit received in relation to the provision of the investment or ancillary service.

Part B: Rules applicable to Regulated Persons falling under point (iv) of the definition of Regulated Persons in the Glossary

R.1.5.16 For the purposes of this section, a Regulated Person means a person falling under point (iv) of the definition of Regulated Person in the Glossary.

R.1.5.17 A Regulated Person shall, in good time before Client the conclusion of any Insurance contract, provide the Client with at least the following information:

a) the nature of the remuneration received by the Regulated Person in relation to the insurance contract;

b) whether in relation to the Insurance contract, the Regulated Person works:

(i) on the basis of a fee, that is the remuneration paid directly by the Client; or

(ii) on the basis of a commission of any kind, that is the remuneration included in the insurance premium; or

(iii) on the basis of other type of remuneration, including an economic benefit of any kind offered or given in connection with the Insurance contract; or

(iv) on the basis of a combination of both (i) , (ii) and (iii);

Where the fee is payable directly by the Client, the Regulated Person shall provide the amount of the fee or where this is not possible, the method for calculating it.

R.1.5.18 If any payments, other than the ongoing premium and scheduled payments, are made by the Client under the Insurance contract after its conclusion, the Regulated Person shall also make the disclosures in accordance with R.1.3.10, R.1.4.18(b), R.1.4.18(e) and R.1.5.17.

Part C: Rules applicable to Regulated Persons falling under point (iii) of the definition of Regulated Persons in the Glossary

- R.1.5.19 The Regulated Person shall, in good time before the conclusion of an Insurance contract, communicate to its Client the nature of the remuneration received by its employees in relation to the Insurance contract.
- R.1.5.20 If any payments, other than the ongoing premium and scheduled payments, are made by the Client under the Insurance contract after its conclusion, the Regulated Person shall also make the disclosures in accordance with R.1.3.10, R.1.4.18(b), R.1.4.18(e) and R.1.5.17.

Appendix 1

Table 1 - All costs and associated charges charged for the investment service(s) and/or ancillary services provided to the client that should form part of the amount to be disclosed

Cost items to be disclosed		Examples:
One-off charges related to the provision of an investment service	All costs and charges paid to the investment firm at the beginning or at the end of the provided investment service(s).	Deposit fees, termination fees and switching costs ⁱ .
On-going related to the provision of an investment service charges	All on-going costs and charges paid to investment firms for their services provided to the client.	Management fees, advisory fees, custodian fees.
All costs related to transactions initiated in the course of the provision of an investment service	All costs and charges that are related to transactions performed by the investment firm or other parties.	Broker commissions ⁱⁱ , entry- and exit charges paid to the fund manager, platform fees, marks up (embedded in the transaction price), stamp duty, transactions tax and foreign exchange costs.
Any charges that are related to ancillary services	Any costs and charges that are related to ancillary services that are not included in the costs mentioned above.	Research costs. Custody costs.
Incidental costs		Performance fees

Table 2 - All costs and associated charges related to the financial instrument that should form part of the amount to be disclosed

Cost items to be disclosed		Examples:
One-off charges	All costs and charges (included in the price or in addition to the price of the financial instrument) paid to product suppliers at the beginning or at the end of the investment in the financial instrument.	Front-loaded management fee, structuring fee ⁱⁱⁱ , distribution fee.

On-going charges	All on-going costs and charges related to the management of the financial product that are deducted from the value of the financial instrument during the investment in the financial instrument.	Management fees, service costs, swap fees, securities lending costs and taxes, financing costs.
All costs related to the transactions	All costs and charges that incurred as a result of the acquisition and disposal of investments within the fund.	Broker commissions, entry- and exit charges paid by the fund, marks up embedded in the transaction price, stamp duty, transactions tax and foreign exchange costs.
Incidental costs		Performance fees

ⁱ Switching costs should be understood as costs (if any) that are incurred by clients by switching from one Regulated Person to another Regulated Person.

ⁱⁱ Broker commissions should be understood as costs that are charged by Regulated Person for the execution of orders.

ⁱⁱⁱ Structuring fees should be understood as fees charged by manufacturers of structured products for structuring the products. They may cover a broader range of services provided by the manufacturer.

