

CODE OF CONDUCT FOR PROVIDERS OF INVESTMENT SERVICES ON CLIENT CLASSIFICATION, DISCLOSURE REQUIREMENT AND OBLIGATION TO OBTAIN INFORMATION

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1. BACKGROUND FOR CLIENT CLASSIFICATION

According to the Finnish Act on Investment Services, investment firms (below referred to as service providers collectively with other providers of investment services) are required to inform their clients about the clients' classification into non-professionals, professionals or eligible counterparties. Clients are classified as provided in the Act on Investment Services, which contains detailed provisions of factors which have an impact on the classification. Client classification affects the extent of investor protection and application of code of conduct rules described in the legislation.

A detailed list of the classification criteria is annexed to this code of conduct (Annex 1).

Professional clients are required to inform their service provider about any changes that may have an impact on client classification.

2. RECLASSIFICATION AS CLIENT

An investment firm shall inform its client of their right to request a change in the client classification and present the effects of the changing of the classification on the position of the client. An application for a change in the client classification shall be made in writing. Such reclassification may have an effect on both investor protection and application of code of conduct. The client shall inform the investment firm in writing that they are aware of loss of the protection of the conduct of business rules and compensation fund cover.

A client classified as a professional may on application be treated as a non-professional or as an eligible counterparty. A contract shall be concluded in writing on the treatment of a client as a non-professional. Correspondingly, a client classified as a non-professional may on application be treated as a professional client. An eligible counterparty in turn may on application be treated as a professional or as a non-professional client. The service provider considers the applications individually in order to decide whether to accept or to reject the application. A professional client is obliged to ask for treatment as a non-professional, if the client considers that they do not have adequate experience and knowledge to estimate or manage the risks involved in a particular transaction.

3. HOW CLASSIFICATION IMPACTS INVESTOR PROTECTION

According to Finnish legislation, non-professional clients are covered by the protection provided by the Investors' Compensation Fund. The Fund compensates non-professional investors for losses incurred in situations where a member of the Fund has failed to settle the investors' clear and undisputed claims as agreed. The amount of compensation payable to one single investor equals nine-tenths of the amount of the claim that the investor has on one single service provider, yet a maximum of €20,000. The Fund does not compensate for losses arising from declines in equity prices or wrong investment decisions, as the client is responsible for the consequences of their own investment decisions. The Fund does not cover unit-linked insurance, mutual fund and alternative investment fund operations. Non-professional clients of foreign service providers' branches in Finland are principally covered by investor protection provided in the service provider's home state.

The protection given by the Investors' Compensation Fund does not cover clients of service providers who provide transmission of orders, investment advice or arrangement of multilateral trading service but do not have client assets in custody or under management.

4. HOW CLASSIFICATION IMPACTS APPLICATION OF CODE OF CONDUCT

Non-professional clients

A non-professional client receives the most comprehensive investor protection and codes of conduct described in the legislation. Service provider must provide and collect certain information from its client for the purpose of providing investment services. These disclosure obligations as well as requirement to collect information from client are most extensive in connection with non-professional clients. Prior to conclusion of any written contract, non-professional clients are to be given the terms and conditions of the contract and adequate information on both the service provider and the service provided.

Any material changes in the information provided in accordance with legislation must also be reported. This information covers, inter alia, information on investment firm and investment services, and safeguarding of client wealth. The information is to be provided in a durable medium to enable the client to print out the information or otherwise record it. The information may also be given on the service provider's website if the client has agreed to such an arrangement.

Assessment of appropriateness

When providing the service of transmission of orders to a non-professional client the service provider is required to ask the client for information on the client's investment experience and knowledge of the financial instrument concerned or of the investment service concerned in order to be able to assess whether the financial instrument or service is appropriate for the client. The service provider is entitled to rely on the information provided by the client.

If the service provider considers that any financial instrument or service is not appropriate for the client, the service provider informs the client accordingly. The service provider is also required to inform the client if it is unable to assess the appropriateness of the financial instrument or service because the client has failed to give the information necessary for making the assessment. No assessment need be made for the purpose of executing or transmitting an order placed by the client for a non-complex instrument of the kind referred to in the law.

Assessment of suitability

Prior to providing investment service, providers of investment advice and portfolio management services* are required to obtain adequate information on the client's financial position, experience and knowledge of the investment service or financial instrument concerned and on the client's investment objectives in order to be able to recommend financial instruments or services suitable for the client. The service provider is entitled to rely on the information provided by the client.

On the basis of the above information obtained by it, the service provider estimates whether the advice to be given or service to be provided meets the client's investment objectives, whether the client is financially able to carry the risk and whether the client has the necessary investment experience and knowledge to understand the risks involved in the recommended measures. When providing investment advice, non-professional client is provided with a report that includes the outline of the advice given and how the recommendation provided is suitable for the client, to assist client's decision-making prior execution of the transaction. Suitability report is provided in a durable medium.

If it fails to get adequate information, the service provider may not recommend the investment service or financial instrument to the client. The service provider may then at its discretion estimate the significance of the client's failure to give the information required for the assessment of suitability.

Professional clients

Professional clients are in principle subject to same disclosure obligations as non-professional clients. Service provider is not required to obtain as much information from professional clients than non-professional clients for the purpose of providing investment service.

Assessment of suitability

Prior to providing investment service, providers of investment advice and portfolio management services* are required to obtain adequate information on the client's financial position and investment objectives in order to be able to recommend financial instruments or services suitable for the client. The service provider is entitled to rely on the information provided by the client. Service provider may assume that professional client has necessary experience and knowledge regarding those products, services and transactions for which it is classified as professional. On the basis of the above information obtained by it, the service provider estimates whether the advice to be given or service to be provided meets the client's investment objectives.

If it fails to get adequate information, the service provider may not recommend the investment service or financial instrument to the client. The service provider may then at its discretion estimate the significance of the client's failure to give the information required for the assessment of suitability. When investment advice* is provided to per se professional client, the service provider may assume that the client is able to financially bear possible investment risks related to investment suitable to client's investment objectives. Professional client is not provided with a suitability report when providing service of investment advice.*

Eligible counterparties

Service provider acts honestly, fairly and professionally, with eligible counterparties as well as other clients. Communication is fair, clear and not misleading with any type of client or counterparty. Codes of conduct and investor protection provisions described in the legislation do not apply to eligible counterparties, except for the obligation of the service provider to provide information.

An eligible counterparty may request the service provider in writing that this code of conduct designed for the protection of investors be applied to all or individual transactions entered with the eligible counterparty concerned. The service provider considers case by case whether to agree to the request.

*ICECAPITAL provides neither investment advice nor portfolio management services