



Fondbolagens förening

SWEDISH INVESTMENT FUND ASSOCIATION

# Guidelines on employees' and contractors' personal transactions with financial instruments

Adopted by the board of the Swedish Investment Fund Association on  
February 11, 1998, and most recently revised on September 4, 2019.

# 1. Introduction

According to investment fund legislation, a fund management company shall establish internal rules outlining the procedures the company implements for managing employees' and contractors' personal transactions with financial instruments. The aim is to prevent employees and contractors from making personal transactions in breach of the Market Abuse Regulation (EU) no. 596/2014, which involve market abuse or improper disclosure of confidential information, or which are in breach of the company's obligations in accordance with legislation.

These guidelines are based on and supplement the regulations in the Swedish UCITS Act (SFS 2004:46), the Swedish financial supervisory authority's (*Finansinspektionen*) regulations (FFFS 2013:9) regarding Swedish UCITS funds, the Swedish Alternative Investment Fund Managers Act (SFS 2013:561), the Commission Delegated Regulation (EU) no. 231/2013 as well as, for fund management companies with permission to provide portfolio management services, the Commission Delegated Regulation (EU) 2017/565. They also supplement regulations on prohibitions against certain trades in the Market Abuse Regulation.

One starting point is that fund management companies shall ensure that employees and contractors are not involved in personal trading with financial instruments in such a manner and to such an extent that the trust of the customers and the public in the fund and securities market, the company or the employees risks being adversely affected.

The guidelines are baseline rules that can be made more comprehensive by each company. Concerning the processing of personal data, such processing must comply with the requirements in the General Data Protection Regulation – GDPR (the European Parliament and Council Regulation [EU] 2016/679).

In these guidelines, the term “fund management company” refers to managers of UCITS as well as alternative investment funds managers, unless otherwise specified. The term “funds” refers to UCITS funds as well as alternative investment funds, unless otherwise specified.

## 2. Definitions

### **Individuals subject to reporting:**

1. board members, partners and the managing director of the fund management company;
2. employees participating in the management of the fund or the provision of investment services;
3. contractors executing parts of the fund management or participating in the provision of investment services on behalf of the fund management company, externally and/or internally, as well as those who primarily operate in other parts of the company group.

However, the individuals listed in paragraphs 1 – 3 are only subject to reporting if they participate in operations that can give rise to a conflict of interest or if they have access to non-public information about circumstances that may impact the price of financial instruments, or other confidential information relating to funds or clients within the fund management company's operations.

**Personal transactions:** such trading as is conducted by individuals subject to reporting or on their instructions on the behalf of individuals subject to reporting or a party related thereto, as well as all trading by individuals subject to reporting or on their instructions outside the scope of their employment or contract for services. The term trading includes participating through consultation or other means to a related party's investment decisions.

**Financial instruments:** as defined in chapter 1, section 4 of the Swedish Securities Market Act (SFS 2007:528), i.e. transferable securities, money market instruments, fund units, financial derivatives and emission allowances.

### **Related party:**

1. the spouse, cohabitant or registered partner of the individual subject to reporting;
2. the under-age child or stepchild of the individual subject to reporting and other relatives of the individual subject to reporting who has shared the same household with the individual subject to reporting for at least one year on the date of the transaction in question;
3. a legal person over whom the individual subject to reporting alone or together with another party has a material influence through a managerial position or financial relationship. Financial relationship refers to a direct or indirect holding of at least 10 percent of the shares or votes or the right to at least 10 percent of the earnings; and

4. another person with whom the individual subject to reporting's relations are such that he or she has a direct or indirect material interest in the results of the trade other than a fee or commission. Examples include membership in a savings club or holdings in a non-public company for the trading and management of financial instruments.

## 3. Prohibition against trading

This section lists a number of situations where there is a prohibition against trading.

### 3.1 General rules on prohibition

The prohibitions in this section apply to all transactions unless otherwise stated. It therefore does not matter if these are carried out on the individual subject to reporting's own behalf, on the behalf of related parties, on behalf of the fund or a client, or for others inside or outside the business.

No employee or contractor of a fund management company may:

1. make use of their position, e.g. in order to benefit in relation to others in the allocation of shares or equity-related instruments upon an initial public offering, or to act so that suspicion may arise that they, on their own or a related party's behalf, gain favours in transactions with financial instruments;
2. use price-sensitive information that has not yet reached the market or has not been made public or is not publicly known in order to conduct business with financial instruments on their own behalf or by advising or otherwise inducing someone else to do or omit to do business with financial instruments based on such price-sensitive information. Nor may they disclose such price-sensitive information to others. These prohibitions apply regardless of the length of the investment and regardless of what the effect on the share price is expected to be;
3. conduct business with financial instruments that involve misuse or undue disclosure of confidential information – including information on orders not yet executed – or advise or influence anyone to conduct business with financial instruments, if the transaction constitutes misuse or undue disclosure of confidential information. Nor may they disclose confidential information to anyone else without authorisation;
4. conduct business with financial instruments to such an extent that there is a risk that their own financial position will be jeopardized;
5. through another party (proxy) take measures that are prohibited in these guidelines; or

6. circumvent these guidelines by using, for example, derivative instruments or combinations of different financial instruments.

It should be noted that the list of prohibitions above is not exhaustive.

## 3.2 Discretionary management and fund management

An individual subject to reporting who provides discretionary portfolio management pertaining to financial instruments or manages one or more funds may not carry out personal transactions with financial instruments that are part of a portfolio or that are included in a fund managed by the individual, to such an extent or in a manner that, for other reasons, may adversely affect the interests of discretionary clients or fund unit holders.

The provision in Chapter 2, Section 18 of the Swedish UCITS Act stipulates that a board member, auditor, holder of a senior position or person with management duties or the like, who has insight into the fund management company's daily trading, must not act as a counterparty to a fund managed by the fund management company, i.e., by acquiring financial instruments from the fund or selling financial instruments to the fund. The same should apply to any special funds managed by the fund management company.

## 3.3 Assignments outside the scope of employment

An individual subject to reporting may not take assignments outside the scope of their employment relating to financial instruments without the permission of the fund management company.

## 3.4 The one-month rule

No individual subject to reporting may, through personal trading with financial instruments, realize or otherwise secure profits (e.g. through hedging with derivative instruments) within a shorter holding period than one month (the one-month rule).

This means that the acquisition of financial instruments (long positions) and negative positions (short positions, e.g. in the case of shorting) with a holding period of less than one month is prohibited.

### *3.4.1 Exemptions from the one-month rule*

The one-month rule does not apply to transactions that are exempt from the reporting obligation in accordance with section 4.2.

The fund management company may, if there are special reasons, grant exemptions from the one-month rule, for example in the event of unforeseen changes in family or housing circumstances. Exemptions must be granted before the transaction is executed. The transactions affected are still subject to a reporting obligation.

### *3.4.2 Particulars regarding the application of the one-month rule*

The following conditions apply to the application of the one-month rule:

1. holdings that have been profitable may only be sold after being held for at least one month;
2. if the divestment of financial instruments takes place by means of shorting, the negative (short) position may be mutually offset by cover purchases of the corresponding financial instruments, if it makes a profit, at the earliest one month after the trading date of the disposal;
3. exchange of financial instruments is equivalent to acquisitions and divestments;
4. shares subscribed to with preferential rights (e.g. in the case of a new share issue) may only be sold when the holding period for the parent share is longer than one month.

The requirement for a minimum holding period of one month does not apply:

1. to the divestment of financial instruments when the price has fallen so that profits are not realized;
2. in acquisitions to cover financial instruments that have been subject to shorting when the price has risen so that profits are not realized;
3. when divesting assigned rights issue shares, share purchase rights and similar rights;
4. when using, for example, call options, subscription warrants and convertible bonds for redemption with delivery, subscription of new shares and conversion to underlying financial instruments. Utilization may take place even if the instrument used has not been held for one month. For underlying financial instruments acquired in this manner, the holding period of the instrument utilized may also be included when calculating the holding period;
5. upon acceptance of a public takeover bid, or
6. in the event of the divestment of financial instruments acquired in connection with a purchase offer (spin-off) or received as a distribution in kind (e.g. in the form of shares) or through a bonus issue, if the instrument entitled to the measure is held for more than a month.

Financial instruments already held by the individual subject to reporting when the reporting obligation comes into effect, or subsequently obtained through inheritance, division of joint property or will, or as a gift from someone other than a related party, or by someone else who is subject to the rules, shall be considered as held for more than one month.

### *3.4.3 Month*

A month refers to a period that runs from one date in a calendar month to the same date in the next calendar month. If that date does not occur in the following month, it refers to the first day of the following month. Examples: If someone acquires a

financial instrument on March 10, the instrument may be sold at a profit no earlier than April 10. If someone acquires a financial instrument on January 31, the instrument may be sold at a profit no earlier than March 1.



#### *3.4.4 Holdings*

Holdings refer to the number, the nominal amount or the number of shares in financial instruments as stated in the contract note or the like. If a holding relates to shares or equity-related financial instruments, any changes that may have occurred during the holding period as a result of a bonus issue, split or merger shall be taken into account when determining the size of the holdings.

#### *3.4.5 Profit*

Profit on acquired holdings refers to the net payment on divestment (thus with deduction for expenses), reduced by the net payment on acquisition including expenses. When calculating profits, the premiums received, e.g. for issued derivative instruments, as well as the exchange rate gains on foreign financial instruments shall be included. The principle is that the calculation must be made holding by holding, i.e. no average calculation of net payment for acquiring multiple holdings may be made.

Profit on holdings that have been the subject of a shorting refers to net payment on divestment (thus with deduction for expenses, including any expenses for securities borrowing), reduced by the cost of repurchase including expenses, if the difference is positive. The principle is that the calculation must be made holding by holding, i.e. no average calculation of net payment upon the divestment of several items may be made.

#### *3.4.6 The use of derivative instruments, structured investment products, etc.*

Furthermore, the individual subject to reporting may not carry out personal short-term trading in derivative instruments, structured products or other types of financial instruments, so that the investment or a combination of investments has the effect of circumventing the rules on minimum holding periods. In the event of uncertainty as to whether a particular transaction or combination of transactions is permissible, the individual subject to reporting must always obtain the fund management company's permission before the transaction is completed.

The appendix includes some examples of the application of the one-month rule to transactions in derivative instruments.

### **3.5 Public share contests**

No individual subject to reporting may, during the period of their employment or the duration of an assignment, participate in a publicly arranged contest on the outcome of fictitious or actual investments (share contests and the like).

## 4. The reporting obligation

### 4.1 The scope of the reporting obligation

The individual subject to reporting shall, after being notified by the fund management company on the reporting obligation to which the individual is subject:

1. promptly report all their personal trading with financial instruments, unless exemptions apply in accordance with the guidelines set out in section 4.2;

and

2. at the request of the fund management company also otherwise disclose their personal trading with financial instruments to the extent determined by and at the time specified by the fund management company.

What is stated in paragraphs 1 and 2 also applies to indirect holdings via pension or other insurance products where the individual subject to reporting can influence investments in individual financial instruments.

In the event of shorting, the reporting must be made when the sales occur and when cover purchases are made.

When the individual subject to reporting is a contractor, the fund management company shall, in the application of this section, ensure in the contract that personal trading is to be registered by the contracting party and upon request immediately transferred to the fund management company.

### 4.2. Exemptions from the reporting obligation

#### *4.2.1 Exemptions to discretionary management*

The reporting obligation exempts transactions with financial instruments carried out in the context of a discretionary management assignment, provided that:

1. the individual subject to reporting has instructed someone else to carry out discretionary management of the holdings of financial instruments of the individual subject to reporting;

2. there is no prior exchange of information between the manager and the individual subject to reporting, or any other person on whose behalf the trading is carried out, in connection with the trading; and that

3. the individual subject to reporting also does not, in any other way, directly or indirectly participate in or influence the business decisions.

Discretionary management is equivalent to other similar forms of management, e.g. so-called robot trading, if the management meets the requirements of paragraphs 2 and 3.

What is stated in the first paragraph also applies when the individual subject to reporting has left a discretionary management assignment concerning their indirect holdings in financial instruments via pension or other insurance products.

The individual subject to reporting shall provide the information needed to enable the fund management company to assess whether a discretionary management assignment fulfils the prerequisites for an exemption from the reporting obligation.

#### *4.2.2 Exemptions for certain fund units*

The reporting obligation does not apply to personal trading with units in:

1. mutual funds and other equivalent funds within the EEA (UCITS funds);
2. Swedish special funds, and
3. other alternative investment funds which are subject to supervision under the laws of a Member State, which require a risk distribution among the assets equivalent to the risk distribution applicable to funds referred to in paragraph 1.

For the purposes of paragraph 3, “equivalent risk distribution” means that the fund includes financial instruments from no less than ten different issuers, where exposure to two of the issuers may amount to a maximum of 30 percent each of the fund's value and to other issuers to a maximum of five percent each of the fund's value.

Exemptions under this section also apply to indirect transactions via pension or other insurance products.

Exemptions from the reporting obligation do not apply to the individual subject to reporting who participates in the management of the fund to which the trading relates. If such an individual subject to reporting has regular savings in shares in such a fund in accordance with instructions, a notification in accordance with 4.1, first paragraph, shall be made at the first acquisition and thereafter upon changes to the amount or in the event of new instructions. In such situations, divestments must be reported, but are not covered by the one-month rule.

### 4.3 How reporting is carried out

Reporting shall be carried out in the way determined by the fund management company. The reporting must be treated confidentially. The reporting shall include information on whether a holding has been divested within less than one month, where this has been the case.

## 5. The obligation of the reporting party to provide information

The individual subject to reporting shall, as soon as they have received notification on the reporting obligation to which the individual is subject, inform the fund management company of:

1. joining and leaving a savings club for trading and management of financial instruments;
2. any shareholdings in a non-public company for trading and management of financial instruments;
3. any discretionary management assignments in relation to personal trading (see also section 4.2.1, fourth paragraph);
4. any acquisition of shares in a fund management company or securities institutions that were not traded on the stockmarket prior to the acquisition; and
5. any assignments outside the scope of their employment relating to financial instruments (see also section 3.3).

An individual subject to reporting who is a member of a savings club in accordance with the first paragraph, or a shareholder in a company in accordance with paragraph 2, shall submit the annual report of the club or the company to the fund management company.

## 6. The fund management company's responsibility

The fund management company:

1. should notify the individual subject to reporting of the content of these guidelines and how reporting should be carried out and, as appropriate, ensure that the individual subject to reporting has read the guidelines;
2. should decide on and inform the individual subject to reporting of the exemptions in accordance with section 4.2;
3. should notify the individual subject to reporting of decisions pursuant to paragraphs 4, 5, 6 and 7;

4. may permit membership in such clubs and shareholding in such companies as are referred to in section 5, paragraphs 1 and 2, if the individual subject to reporting ensures, by checking the statutes, investment regulations or equivalent, that the club or company will comply with the rules specified in section 3.4;
5. may allow the acquisition of shares referred to in section 5, paragraph 4, if the acquisition cannot be regarded as circumventing the one-month rule;
6. may authorize assignments in accordance with section 5, paragraph 5, unless this conflicts with the one-month rule;
7. should regulate the extent to which or under what conditions the person responsible for managing one or more funds may carry out his or her own personal trading with financial instruments in which the fund invests.

## Appendix

Some examples of the application of the one-month rule to transactions in derivative instruments.

It should be noted that the following examples do not provide a complete description of the application of the one-month rule in all conceivable situations.

The term “option”, with respect to a deliverable underlying asset below, means an American-type option, i.e. which can be redeemed during the term of the option. For options in relation to a deliverable underlying asset of the European type, i.e. which can only be redeemed on the declaration date, the application may be somewhat different than in the examples provided below. The term “deliverable underlying asset” refers to a financial instrument or currency.

1. An issued or held option, where there is no holding of a deliverable underlying asset, may not be set-off within one month if the set-off gives rise to a profit (the “set-off rule”);
2. the acquisition of a call option pertaining to a deliverable underlying asset may take place without any other impediment than the set-off rule above;
3. the acquisition of a cash-settled option may only take place if the remaining term is at least one month;
4. the issuance of a cash-settled option may take place without any other impediment than the set-off rule above;
5. the acquisition of a put option with a redemption price equal to or exceeding the acquisition price of deliverable underlying assets may only take place if the corresponding property is held for at least one month (constitutes a form of hedging of the divestment price);
6. the issuance of a call option in relation to a deliverable underlying asset may only take place if the corresponding asset is held for at least one month (redemption of profits on the underlying asset cannot be ruled out);
7. the issuance of a put option in relation to a deliverable underlying asset may take place only if the remaining term is at least one month (an option which lapses without value nevertheless gives the issuer a premium, which is regarded as a profit);
8. divestment of a forward/futures contract in relation to a deliverable underlying asset may only take place if the corresponding asset is held for at least one month;
9. a forward/futures contract may not be netted within one month after the date on which the contract was entered, if the netting gives rise to a profit (the “netting rule”);
10. the acquisition of an underlying asset by means of a forward/futures contract may occur without any other impediment than the netting rule above;
11. in conjunction with the use of combinations of options and forward/futures or combinations of such instruments with deliverable underlying assets, each element of the combination is regarded as a financial instrument which is subject to the main rule of at minimum month holding period.

