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# SECURITIES TRADING INSTRUCTIONS FOR MEMBER ORGANISATIONS OF THE FEDERATION OF FINNISH FINAN- CIAL SERVICES



FK | Finanssialan Keskusliitto  
FC | Finansbranschens Centralförbund  
FFI | Federation of Finnish Financial Services



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## 1 INTRODUCTION

The purpose of these Instructions drafted by the Federation of Finnish Financial Services (hereinafter the Federation) is to increase securities market participants' confidence in the operations of the Federation's member organisations. These Instructions are based on securities market legislation and regulations issued by the authorities.

These Instructions concern the trading in financial instruments of investment analysts and persons exercising significant influence. The purpose of these Instructions is to promote the obligation of member organisations to implement adequate measures to prevent and control conflicts of interest, to prevent abuse of insider information as well as to prevent abuse of confidential information relating to customers of a member organisation or to the transactions of said customers.

These Instructions are binding on all the member organisations of the Federation and persons exercising significant influence therein. The Federation requires that its member organisations supervise compliance with these Instructions. In addition to these minimum rules, a member organisation may in its internal rules issue more stringent provisions relating to dealing. The Federation recommends that other parties offering investment services also comply with these Instructions.

In addition to these Instructions, each member organisation providing investment services shall have its own guidelines on the prevention of the abuse of inside information and on the related trade restrictions. The prohibition to abuse and disclose inside information applies to all persons who receive inside information regardless of whether the person in question is in a position to exercise significant influence or not.

## 2 DEFINITIONS

### 2.1 Member organisations of the Federation

A member organisation providing investment services refers to an organisation that offers investment services and has been approved as a member by the Board of Directors of the Federation.

### 2.2 Person exercising significant influence

A person exercising significant influence shall mean

1. a member of the Board of Directors, the Managing Director or another person belonging to top management, as well as their deputies (i.e. persons who actually manage the business operations);
2. an employee or another person under the control of the undertaking who is involved in the provision of investment services;



3. a tied agent referred to in chapter 7 section 7 of the Act on Investment Services (747/2012) and, if it is a company or an organisation, a member of its Board of Directors or a comparable body, managing director or another person belonging to its top management as well as an employee or another natural person who, under the control of the tied agent, is involved in the provision of investment services; and
4. a natural person who is involved in the provision of investment services outsourced by a member organisation or a tied agent.

A person is involved in the provision of investment services if he/she, in the customer interface, uses his/her own decision-making power in the provision of the investment service, for example, as a stock-exchange broker, an executor of an order or as a portfolio manager.

A person is not deemed to be involved in the provision of investment services if he/she does not actively use his/her own discretion in the provision of the investment service, such as

- an employee who only receives and transmits orders to be executed elsewhere in the undertaking;
- an employee who provides personal investment guidance solely in accordance with operating models and instructions issued by other units; or
- an employee working in support functions who solely completes transactions concluded earlier (e.g. backoffice, custody or corresponding employees).

Each member organisation shall, in its internal instructions, determine the persons exercising significant influence.

### 2.3 Insiders

Insider family members or other related persons are:

1. a spouse (a marital spouse or a party to a registered partnership referred to in the Act on Registered Partnerships 950/2001);
2. a person under the guardianship of a person exercising significant influence;
3. a person under the guardianship of a spouse of the person exercising significant influence;
4. another family member who has lived in the same household with the person exercising significant influence for at least one year at the time of the execution of the personal transaction (relatives referred to in chapter 2 of the Code of Inheritance, such as children, grandchildren, parents, brothers and sisters); and
5. a corporation or a foundation, in which the person exercising significant influence or the persons referred to in items 1–2 above, alone or together, have direct or indirect control.



Also a death estate shall be deemed as an insider if the person referred to above is the only party to the estate or holds over 50% thereof, and may decide on the estate's investment activity alone or by proxy issued by the other parties to the estate.

The insiders of a person exercising significant influence therefore does not include e.g. a live-in partner. A spouse's adult child living in the same household is also not an insider, because the child of a spouse is not an heir in accordance with the Code of Inheritance.

## 2.4 Personal transaction

A personal transaction shall mean the own trading in financial instruments of a person exercising significant influence

1. on his/her own account;
2. on behalf of an insider if the person exercising significant influence guides or otherwise influences the transaction; or
3. on behalf of another such person whose transaction gives a material benefit to the person exercising significant influence and if he/she guides or otherwise influences the transaction.

## 2.5 Financial instrument

A financial instrument shall refer to all financial instruments referred to in chapter 1, section 10 of the Act on Investment Firms, excluding, however, the units of a common fund or units in a foreign UCITS referred to in the Act on Common Funds.

If a person exercising significant influence or another person on whose behalf the transaction is concluded participates in the management of the investment activity of said fund or foreign UCITS, also the aforementioned units of a common fund or units in a foreign UCITS shall be considered financial instruments.

## 2.6 Total market index

In these Instructions, the total market index means

- an index, calculated on the basis of all the shares quoted in the said trading list and including at least 20 share series; or
- an index describing the development of the most traded share series in the said trading list and including at least 20 share series.

An index describing the development of the shares of one sector shall not be the total market index in accordance with these Instructions.



## 2.7 Inside information

Inside information shall mean information of an exact nature which concerns a financial instrument subject to trading in a regulated market in the EEA or multilateral trading procedure in Finland, which has not been made public or otherwise available in the markets, and which is likely to have a material effect on the value of said financial instrument or other related financial instruments. Inside information relating to a derivatives contract that is based on a commodity or emission right shall mean information of an exact nature relating to a derivatives contract based on a commodity or emission right subject to trading in a regulated market or multilateral trading procedure in Finland, when the information has not been available to the markets in accordance with regulations or provisions on the publishing of information or in accordance with accepted market practices, or when the information is usually made public in the markets and can be expected by market participants (Securities Market Act 746/2012, chapter 12 section 2).

Information shall constitute inside information until it is published or otherwise made available.

Information of a material effect shall mean information which a sensible investor would be likely to use as a grounds for his/her investment decision.

Inside information may for example be information which a person exercising significant influence in a member organisation has on a financial instrument or an issuer of an unpublished

- future merger, demerger or other significant capital restructuring of a company;
- share issue;
- bid or redemption offer for shares;
- annual accounts or an interim report;
- customer's exceptionally large-scale order or order plan that is likely to have an effect on the value of a financial instrument;
- significant change in a company's financial situation; or
- order concerning the acquisition of a client company's own shares.

## 2.8 Conflict of interest

In these Instructions, a conflict of interest means a situation where a person exercising significant influence, due to his/her position, participates in the provision of investment services or ancillary services on a financial instrument with which he/she concludes a personal transaction wherefrom he/she can obtain unfounded benefit at the cost of the customer.



## 2.9 Confidential information

In these Instructions, confidential information means information relating to transactions concluded with customers or on their behalf as well as information relating to customer orders waiting to be executed.

## 3 BINDING NATURE OF THE INSTRUCTIONS

### 3.1 Persons and parties within the scope of application of the Instructions

These Instructions shall apply to all persons exercising significant influence referred to in section 2.2 and investment analysts of a member organisation regardless of whether they belong to insiders subject to the declaration requirement of a member organisation.

The member organisation shall in its own rules determine the applicability of these Instructions to personnel in part-time and fixed-period employment relationships.

### 3.2 Date of commencement

These Instructions shall become binding on a person at the latest when the person exercising significant influence has actually started in his/her duties related to the provision of investment services in the member organisation.

### 3.3 Date of termination

A person shall be removed from the scope of these Instructions when his/her work or other obligation in the member organisation terminates or changes so that he/she is no longer in a position to exercise significant influence.

A person may be temporarily removed from the scope of these Instructions for example due to maternity leave, parental leave or a similar reason, if the person cannot acquire inside information or confidential information on the customers of the member organisation or the business operations of said customers during his/her leave.

## 4 RESTRICTIONS APPLYING TO INVESTMENT ANALYST OR PERSON EXERCISING SIGNIFICANT INFLUENCE

### 4.1 General principles

A person exercising significant influence may not engage in a personal transaction

- where he/she may incur a conflict of interest with regard to a transaction or a service where he/she participates due to his/her position;





- with regard to which he/she has inside information referred to in the Securities Markets Act; or
- with regard to which he/she has acquired confidential information relating to the customers of an investment firm or to their transactions and the confidential information is used in the transaction.

Nor may a person exercising significant influence give advice or guide a third party to execute or refrain from executing a transaction on a financial instrument, which would be prohibited as his/her personal transaction.

A person exercising significant influence may not express to another person otherwise than as part of his/her ordinary work duty information or an opinion, if he/she knows or it is reasonable to assume that he/she knows that this other person shall execute a transaction on a financial instrument which would fall within the scope of the said prohibition.

A person exercising significant influence is not completely prohibited from engaging in business transactions. Personal transactions are prohibited if one of the abovementioned conditions is fulfilled. A person exercising significant influence is allowed to execute transactions on financial instruments provided that no conflicts of interest arise and that he/she has no exploitable inside information or confidential information on customers or their operations.

## 4.2 Prohibition of use and disclosure of inside information

All persons exercising significant influence of a member organisation are subject to an absolute secrecy obligation with regard to inside information they have acquired while performing their duties or otherwise. Inside information may not be disclosed to another unless it takes place as part of the ordinary performance of the work, profession or tasks of the person disclosing the information, for example in a situation where a large order is being executed on the market.

Inside information may not be used by acquiring or conveying on one's own account or on behalf of another a financial instrument subject to the information nor by giving advice to another in a transaction relating to such financial instrument. The above shall not apply to situations where a financial instrument is being bought or sold on the basis of customer orders in normal trading procedure.

If the person exercising significant influence has acquired inside information on an individual financial instrument, he/she may, at the initiative of a customer, carry out buy or sell orders that pertain to said financial instrument. The person shall, however, be prohibited from giving advice to a customer or another person to trade or refrain from trading on the basis of information known to him/her but not yet published.

The prohibition of use and disclosure of inside information is provided for in more detail in chapter 14, section 2 of the Securities Markets Act, and the consequences for breach thereof are provided for in the chapter 18, section 2 of the Securities Market Act. The administrative consequences are provided for in the Act on the Financial Supervision



Authority and the penal sanctions of abuse of inside information in chapter 51 of the Penal Code.

### 4.3 Prevention of conflicts of interest

The conflict of interest policy of the member organisations has identified and defined the conflicts of interest as well as the steps to be taken to prevent and manage them. A person exercising significant influence may not engage in dealing in violation of the conflict of interest policy of his/her member organisation.

### 4.4 Prohibition of abuse of confidential information

All persons exercising significant influence of a member organisation are subject to a secrecy obligation with regard to confidential information they have acquired while performing their duties or otherwise. Inside information may not be disclosed to another unless it takes place as part of the ordinary performance of the work, profession or tasks of the person disclosing the information, for example in a situation where a large order is being executed on the market.

Confidential information may not be used by acquiring or conveying on one's own account or on behalf of another a financial instrument subject to the information nor by giving advice to another in a transaction relating to such financial instrument. The above shall not apply to situations where a financial instrument is being bought or sold on the basis of customer orders in normal trading procedure.

A person exercising significant influence may not abuse information relating to non-executed customer orders.

### 4.5 Prohibition of short-term trading

Short-term trading shall mean trading where the time between the acquisition and disposal of a financial instrument of the same class and correspondingly between the disposal and acquisition thereof is less than one (1) month.

The prohibition of short-term trading is a way to maintain trust on member organisations' ethical operations in the securities market as well as to promote overall confidence in the markets and market participants. The objective is also to prevent abuse in markets.

An investment analyst or person exercising significant influence may not carry out short-term trading in financial instruments that a member organisation actively provides services with, as defined in section 2.5 of these Instructions.

The prohibition of short-term trading applies to, for example

- asset management, if the person in question uses his/her own decision-making power in the investment operations;



- investments to such life, investment and pension insurances or capital redemption policies, where the investment outlet can be a financial instrument upon which the person in question can execute their own orders, as specified in this document;
- investments through an earmarked long-term savings account; and
- investments to ETC and ETN products whose underlying instrument is not the all-share index of the marketplace.

Prohibition of short-term trading shall not, however, apply to

- units in a common fund or units of foreign UCITS referred to in the Act on Common Funds (Nb. If the person exercising significant influence or another person on whose behalf the transaction is concluded participates in the management of said common fund or foreign UCITS, the prohibition of short-term trading does apply to said units in a common fund or foreign UCITS.);
- ETF units;
- index derivatives, the underlying instrument of which is the total market index;
- interest rate derivatives (e.g. interest rate hedging of housing loan); nor to
- financial instruments not subject to an active provision of services by the member organisation.

The prohibition of short-term trading shall not apply to members of the board of directors or the supervisory board or the board of management who are not employed by the member organisation, the auditors and labour-market organisations of the management and personnel.

This prohibition shall apply to the trading of the insiders of a person exercising significant influence only regarding transactions concluded on behalf of the insiders referred to in section 2.4 "Personal transaction" of these Instructions.

An exemption therefrom are the following, which are always subject to the same restrictions on trading as the person who exercises significant influence:

- a person under guardianship of a person exercising significant influence; and
- an organisation or foundation in which the person exercising significant influence or the abovementioned person under guardianship, alone or together, has direct or indirect control.

#### 4.5.1 Calculation of the period of ownership

The period of ownership of financial instruments shall be calculated from their purchase, subscription or exchange date until the sale, exchange or other disposal is fully or partially effected. The minimum period shall be calculated so that the sale, exchange or other



disposal is permitted at the earliest on the date that, with regard to its consecutive number, corresponds to the purchase or subscription date. If a lot of shares is purchased e.g. on the 15<sup>th</sup> of January, an order to sell the same financial instruments may, at the earliest, be given one month from that date, i.e. on the 15<sup>th</sup> of February.

A financial instrument which has been owned by a person exercising significant influence upon the commencement of the applicability of the rules to him shall be deemed to have been in his/her ownership for over one month.

In continuous fund contracts, the commencement of ownership shall be calculated from the signing of the contract. A separate one-time subscription to the same fund shall, however, interrupt the calculation of the said period and commence a new period.

#### 4.5.2 Different share series of the same issuer

Different share series of the same issuer shall be deemed to be financial instruments of the same class with regard to the restriction on trading in accordance with these Instructions.

#### 4.5.3 Acquisition without consideration

Financial instruments received through an acquisition without consideration (an inheritance, a will, a gift and a distribution of marital assets) shall be deemed to have been in the ownership for over one month. Ownership received through an acquisition without consideration shall, however, always, without delay, be notified to the person in charge of the insider issues of the member organisation or to another person appointed to that task by the member organisation.

#### 4.5.4 Share issues and sales of shares

The member organisation shall, where necessary, give separate instructions with regard to the participation of the persons exercising significant influence in share issues and sales of shares.

The sale of subscription rights and the subscription of new shares on the basis of previous ownership shall always be permitted in a share issue, even if the shares that entitle to the subscription right have been sold.

Shares acquired in a bonus issue shall be deemed to have been acquired when the original shares were acquired.

Shares acquired in a new issue shall be deemed to have been acquired on the end date of the subscription period. This date shall commence a new one-month period.



Shares acquired in a sale of shares shall be deemed to have been acquired on the date on which the shareholder has signed over the shares in a binding manner. This date shall commence a new one-month period.

In an issue based on subscription rights, the acquisition date of a share shall be deemed to be the subscription date. The sale of subscription rights shall not commence a new one-month period.

#### 4.5.5 Public purchase and redemption offers

The approval of a public purchase or redemption offer shall always be permitted provided that the financial instruments have been acquired prior to the publication of the information on the purchase or redemption offer.

#### 4.5.6 Shares received as dividend

The acquisition period of shares received as dividend shall be calculated from the acquisition of the shares on the basis of which the dividend is paid.

#### 4.5.7 Shares subscribed on the basis of a convertible bond or an option right

The acquisition period of shares subscribed on the basis of a convertible bond or an option right shall be calculated from the acquisition or receipt of the convertible bond or option certificate in cases where the option certificate is issued without consideration.

Subscription of shares on the basis of an option right acquired separately may always be effected in accordance with the terms of the loan. The period in accordance with these Instructions shall commence from the acquisition of the option right.

#### 4.5.8 Derivatives

Share derivatives (such as call options and put options as well as futures relating to the same investment target referred to below) shall be deemed to be of the same class as the share forming their underlying.

Investment in derivatives with a maturity of less than one (1) month shall be forbidden. The writing of an option which may include the obligation to exercise the option within less than one (1) month from its writing shall be forbidden. The closing of a derivative position within less than one (1) month shall not be allowed. The time of the exercise of options shall not be of significance when calculating the time periods.

A combination strategy may be allowed by a decision of the member organisation where the derivative instrument is combined with an investment in a share or another derivative and where the different parts of the strategy are implemented during the same day. The one-month restriction on trading shall apply to the combination strategy in all respects.



## 4.5.9 Warrants

Investment in warrants where the period between the acquisition and exercise dates is less than one (1) month shall be forbidden. Warrants which may be exercised at any time during their validity (the so-called American warrant) shall be subject to the one-month restriction on trading so that the warrant may be exercised at the earliest one month from its acquisition.

Warrants shall be deemed to be of the same class as their underlying share.

A member organisation that issues warrants shall give its own internal rules for the trading of its own personnel in warrants issued by the member organisation itself.

## 4.5.10 Financial instruments acquired through bonus schemes

Financial instruments acquired through bonus schemes (e.g. share-based bonus scheme) shall be deemed to have been owned more than one month.

## 4.5.11 Special and temporary restrictions

A member organisation may in its internal rules forbid all those subject to these Instructions or some of them from carrying out transactions e.g. in the shares of a certain company if certain persons exercising significant influence are engaged in special duties relating to that company. Such internal rule may also be given temporarily so that it shall be in force only during a certain task (for example the preparation of an issue or a redemption or purchase order).

## 4.5.12 Exemptions in special cases

With the exception of exemptions referred to in sections 4.5.3–4.5.10 of these Instructions, the one-month restriction on short-term trading is absolute. For especially weighty reasons, a member organisation may in individual cases allow the conveyance of a financial instrument within a time period shorter than the restriction on trading. An exemption cannot be granted from the one-month restriction between a conveyance and a new acquisition.

## 4.6 Special restrictions relating to investment analysis

### 4.6.1 Unpublished market and corporate analyses and investment analysis

Market and corporate analyses as well as investment analysis are based on information in the public domain, wherefore they do not constitute inside information.

Persons exercising significant influence of a member organisation and investment analysts are, however, not permitted to make use of the information derived from market and



corporate analyses for their own benefit or for the benefit of another nor give advice to another relating to a transaction in such a financial instrument prior to their publication.

Information on an investment analysis intended to be published which may have a material effect on the market value of a financial instrument (analysis relating to an issuer) or financial instruments (analysis relating to a market or a sector) shall constitute information, the use of which for one's own benefit or for the benefit of another is forbidden prior to the publication of the research.

#### 4.6.2 **Special restrictions relating to the compilation and distribution of investment analysis**

In addition to the prohibition of short-term trading of these Instructions, investment analysts and the other persons exercising significant influence to be defined below are bound by special restrictions on trading in financial instruments issued by companies subject to an investment analysis.

Investment analysis shall mean analysis or other information that recommends or suggests explicitly or implicitly the acquisition, keeping or disposal of one or several financial instruments or concerning the issuers of financial instrument as well as any opinion as to the future price of such financial instruments, intended for distribution channels or for the public, provided that:

- 1) it is labelled or described as investment analysis or in similar terms, or is otherwise presented as an impartial or independent explanation, and that
- 2) it does not contain such personal recommendation which would, if provided to a customer, be considered investment advice referred to in the Act on Investment Services (742/2012).

(See also Standard 5.5 of the Financial Supervision Authority on investment recommendations and accepted market practices.)

##### Contents of the restrictions

- Investment analysts and other persons exercising significant influence who are aware of the probable publication date or contents of an investment analysis may not, on their own account or on behalf of their insiders, trade in the financial instrument subject to the investment analysis or in a financial instrument relating thereto during the compilation of the investment analysis nor on the date of publication of the investment analysis or on the day following it. The commencement of the compilation of an investment analysis shall be decided in the investment organisation in question and the publication date of the research shall be the date on which the research is made available to the customers.



- Investment analysts or other persons exercising significant influence who have participated in the investment analysis may not, on their own account or on behalf of their insiders, trade contrary to the investment recommendation to buy or sell.

Recommendations included in the investment analysis which have not been cancelled or the period of validity of which has not terminated shall be deemed recommendations in force.

The compliance function of the member organisation shall have the possibility to grant an exemption from the latter restriction relating to selling financial instruments.

## 5 EXECUTION OF ORDERS ON ONE'S OWN BEHALF

A person falling within the scope of application of these Instructions shall execute his/her trades in financial instruments as regular customer orders. No one may execute an order issued by himself, by his/her insider or by another person on whose behalf he/she is acting directly in the stock-exchange trading system. Execution of own orders through the ordinary Internet brokerage system shall be permitted.

If a person exercising significant influence in a member organisation is the counter-party to a transaction, the person executing the order shall implement the trade, where possible, in regulated market and always at the market price of the trading moment.

A person subject to the restrictions on trading of a member organisation shall, as the main rule, use the brokerage and custodial services offered by his/her member organisation in his/her own transactions. The use of another investment services provider shall be laid down in the internal rules of the company.

Evasion of these Instructions by trading on one's own behalf in the name of other persons or parties or through another investment vehicle or a contract shall be deemed contrary to proper practice and forbidden.

## 6 SUPERVISION AND SANCTIONS

### 6.1 Notifying of the Instructions

The Federation recommends that the member organisation informs its customers that the member organisation has undertaken to comply with these Instructions.

### 6.2 Supervision of compliance with the rules

The member organisation shall be liable to ensure compliance with these Instructions and the internal rules issued thereunder and to issue instructions on their interpretation. The rules shall also contain provisions on the manner in which and the person to whom the





person shall report his/her own transactions, and on the measures that are taken in the case of rule violations.

Transactions of persons exercising significant influence shall be entered in a register. A register shall mean a database relating to the business transactions of these persons and the data shall be kept unchanged by the member organisation in accordance with the general obligation to keep data (5 years). The register may be kept in paper form, stored in a data system or on another permanent vehicle.

### 6.3 Violation of the internal rules

If a person exercising significant influence in a member organisation violates the internal rules of the member organisation issued under these Instructions, the member organisation shall, depending on the manner of violation, have the right to cancel or give notice to terminate the employment contract or corresponding contract of the person in question.

### 6.4 Reporting to the Financial Supervisory Authority

According to chapter 7, section 11 of the Act on Investment Services, a member organisation shall give the Financial Supervisory Authority an annual report on its register keeping, supervision and any related measures taken.

## 7 VALIDITY AND INTERPRETATION OF THE INSTRUCTIONS, ADDITIONAL PROVISIONS

### 7.1 Entry into force

These Instructions shall enter into force on 1 July 2013 and shall replace the earlier Instructions of the Federation of Finnish Financial Services. The member organisations shall bring their internal rules to comply with the minimum requirements of these Instructions by 30 October 2013.

### 7.2 Interpretation and additional provisions

The Federation of Finnish Financial Services shall have the right to issue detailed interpretations of these Instructions.