

## INSTRUCTIONS ON INVESTMENT RECOMMENDATIONS

The Hellenic Capital Market Commission points out to the providers of investment recommendations the following applicable under [Regulation \(EU\) 596/2014](#) and [Delegated Regulation \(EU\) 2016/958](#):

**What investment recommendations are:** Any information recommending or suggesting an investment strategy, explicitly or implicitly, with respect to one or more financial instruments or issuers, including any opinion as to the present or future value or price of such instruments, intended for communication channels or the public<sup>1</sup>.

Furthermore, the recommendation or proposal of an investment strategy<sup>2</sup> means information:

- (i) produced by an independent analyst, investment firm, credit institution, any other person whose principal activity is the production of investment recommendations, or by a natural person working on their behalf under an employment contract or otherwise, who, directly or indirectly, makes specific investment proposals in respect of a financial instrument or issuer; or
- (ii) produced by persons other than those referred to in point (i) who directly propose a specific investment decision in respect of a financial instrument.

Communication channels can be analyst reports, articles, traditional media, the internet, or even social media. Recommendations may also not be in writing.

### **Who is concerned:**

- A) Independent analysts, investment firms, credit institutions, persons whose main activity is the production of investment recommendations and natural persons employed by such persons under an employment contract or otherwise (hereinafter referred to as "*professionals*")<sup>3</sup>,
- B) Other persons who repeatedly propose investment decisions in relation to financial instruments and who present themselves as having financial experience or expertise or present their recommendation in a way that gives others a reasonable belief that they have financial experience or expertise (hereinafter referred to as "*experts*")<sup>4</sup> as well as
- C) Other persons (other than those listed immediately above) producing recommendations which directly propose a specific investment decision in respect of a financial instrument<sup>5</sup>

### **Obligations:**

#### ➤ **General rule:**

Article 20 of Regulation (EU) 596/2014 provides that persons producing or disseminating investment recommendations or other information recommending or proposing an investment strategy (hereinafter referred to as '*recommendations*') shall

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<sup>1</sup>Article 3 (1) (35) of Regulation (EU) No. 596/2014

<sup>2</sup> Article 3 (1) (34) of Regulation (EU) No. 596/2014

<sup>3</sup> Article 3 (1) (34 i) of Regulation (EU) No. 596/2014

<sup>4</sup> Article 1 (a) of Commission Delegated Regulation (EU) 2016/958 of 9<sup>th</sup> March 2016

<sup>5</sup> Article 3 (1) (34 ii) of Regulation (EU) No. 596/2014

exercise due diligence to ensure that recommendations are presented in an objective manner and to disclose any cases of interest or conflict of interest.

In order to ensure a high level of impartiality, fairness and transparency in the market, recommendations should be presented **objectively and in a way that does not mislead market participants or the public.**

➤ **Specialization:**

In order to specify the general rule, the following are provided:

- A set **of main obligations**<sup>6</sup> applicable to all persons relating to the disclosure of the identity of recommendation producers, the objective presentation of recommendations and the disclosure of interests or conflicts of interest.

**A. Identity of producers of recommendations**

- Persons producing investment recommendations or other information recommending or suggesting an investment strategy **shall disclose in a clear and prominent manner in all recommendations producing their identity** and the following information regarding the identity of any other person(s) responsible for producing the recommendation: (a) the name and professional status of all natural persons involved in producing the recommendation; (b) where a natural or legal person involved in producing the recommendation acts on the basis of a contract, including an employment contract, or otherwise for a legal person, the name of that legal person. Where the person producing recommendations is an investment firm, a credit institution or a natural person working for an investment firm or a credit institution under an employment contract or otherwise, that person shall state in the recommendation, in addition to the information under a and b above, the identity of the competent authority concerned. Where the person producing referrals is not one of the persons listed above, but is subject to self-regulatory standards or codes of conduct for the production of recommendations, that person shall include in the recommendation, in addition to the information under (a) and (b) above, a **reference to such standards or codes.**

**B. General obligations regarding the objective presentation of recommendations and the disclosure of interests or conflicts of interest<sup>7</sup>.**

- Recommendations' producers should ensure that their recommendations comply with the following requirements:
  - a) the facts are clearly separated from interpretations, assessments, opinions and other types of non-factual information
  - b) indicate in a clear and prominent manner all materially relevant sources of information
  - c) all sources of information are reliable or, where a source is not considered reliable, this is clearly stated
  - d) all projections, forecasts and price targets shall be identified as such in a clear and prominent manner, and the main assumptions made for their calculation or use shall be stated;

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<sup>6</sup> Articles 2, 3 and 5 of Delegated Regulation 2016/958

<sup>7</sup> Article 5 of Delegated Regulation 2016/958

e) the date and time of completion of the production of the recommendation is indicated in a clear and prominent manner

In addition, with regard to obligations to disclose interests, it is noted that disclosures of interests or conflicts of interest should be specific enough to allow the recommendation recipient to form an informed opinion on the extent and nature of the conflict of interest.

It is therefore clarified that the persons producing recommendations disclose in their recommendations all relationships and circumstances that may reasonably be expected to affect the objectivity of the recommendation, including interests or conflicts of interest, both themselves and any natural or legal person who works for them under contract, including an employment contract, or otherwise, or who has been involved in the production of the recommendation, with respect to any financial instrument or issuer to which the recommendation relates directly or indirectly. Further obligations are specifically referred to in Article 5 of Regulation 2016/958

**C. Additional obligations for practitioners and experts** regarding the objective presentation of recommendations<sup>8</sup> and disclosure of interests or conflicts of interest<sup>9</sup>.

The additional obligations shall, inter alia, provide for the inclusion in the recommendation of the following information in a clear and prominent manner:

- A summary of any valuation basis or methodology and key assumptions used either to assess a financial instrument or issuer or to set a price target for a financial instrument, as well as an indication and summary of any changes in the valuation, methodology or key assumptions.
- An indication of where detailed information on the valuation or methodology and key assumptions is readily and easily accessible if the person producing the recommendations has not used proprietary models.
- Indication of where essential information on proprietary models is readily and easily accessible, if the person producing the recommendations has used its own models.
- The meaning of each recommendation issued, such as the recommendations to "buy", "sell" or "hold", and the length of time of the investment concerned by the recommendation shall be explained in an appropriate manner, and any appropriate risk warning shall be highlighted, including a sensitivity analysis of the assumptions.
- Statement of any amendment to the original recommendation.

Please note that all the above rules also apply in the case of disclaimers.

Finally, persons disseminating third party-generated recommendations shall disclose to the persons receiving the recommendations, in a clear and prominent manner, all relationships and circumstances that may reasonably be expected to influence the objective presentation of the recommendation, including interests or conflicts of interest in relation to any financial instrument or issuer to which the recommendation relates

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<sup>8</sup> Article 4 of Delegated Regulation 2016/958

<sup>9</sup> Article 6 of Delegated Regulation 2016/958

directly or indirectly and the date and time of the initial dissemination of the recommendation.

**Sanctions:**

If the rules on investment recommendations are not followed, sanctions and/or administrative measures may be imposed<sup>10</sup>.

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<sup>10</sup>Article 37 of Law 4443/2016