

# MODEL RESEARCH DISCLOSURE TEMPLATE FOR FOREIGN EQUITY RESEARCH UNDER RULE 15a-6

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[Disclose whether the U.S. registered broker-dealer or any affiliate received compensation for investment banking services from the subject company in the past 12 months.]<sup>2</sup>

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The SEC has stated that determination as to whether the voting and investment powers are exercised independently from the parent and other related entities is based upon the facts and circumstances. One circumstance in which beneficial ownership may not be required to be attributed to the parent is when the entities have in place informational barriers that ensure that voting and investment powers are exercised independently from parent and affiliated entities. Where informational barriers are relied upon to avoid attributing beneficial ownership to the parent, the various companies or groups should maintain and enforce written policies and procedures reasonably designed to prevent the flow of information to and from the other business units, divisions and entities that relate to the voting and investment powers over the securities. An annual, independent assessment of the operation of these policies and procedures should be made. In addition, the controlling entities should have no officers, directors or employees who are involved in the exercise of the voting and investment powers in common with the shareholder. For example, the existence of an independent investment committee would be evidence of an effective separation between the parent and subsidiary entities.

<sup>2</sup> This disclosure would not be required to the extent that it would reveal material non-public information regarding specific potential future investment banking transactions of the subject company.

<sup>3</sup> *Id.*

## **RECOMMENDED DISCLOSURES (AS APPLICABLE)**

### **E. Rating System**

If the research report contains a rating, include a description of the rating system and the meaning of each rating in the rating system.

Example (to be tailored to reflect the foreign broker-dealer's actual rating system and ratings key):

Stock ratings are based on the analyst's expectation of the stock's total return during the twelve months following assignment of the rating. This view is based on the target price, set as described below, and on the analyst's opinion, general market conditions and economic developments.

As from [Day] [Month] [Year], the formula is:	Prior to [Day] [Month] [Year], the formula was:
<b>Speculative Buy:</b> expected returns of 10% or more over the next 6-12 months on high risk development or "pre-revenue" companies.	<b>Speculative Buy:</b> expected returns of 10% or more over the next 6-12 months on high risk development or "pre-revenue" companies.
<b>Buy:</b> expected returns of 10% or more over the next 6-12 months.	<b>Buy:</b> expected returns of 10% or more over the next 6-12 months.
<b>Hold:</b> expected returns of +/- 10% over the next 6-12 months.	<b>Hold:</b> expected returns of +/- 10% over the next 6-12 months.
<b>Sell:</b> expected returns of - 10% or less over the next 6-12 months.	<b>Sell:</b> expected returns of - 10% or less over the next 6-12 months.

In making a recommendation, the analyst compares the target price with the actual share price and then makes a recommendation derived from the percentage thus calculated.

### **F. Distribution of Ratings**

If the research report contains a rating, include a ratings distribution chart that discloses the percentage of all securities rated by the foreign broker-dealer to which the foreign broker-dealer has assigned a "buy," "sell" or "hold/neutral" rating; and the percentage of subject companies within each of these three categories for which the foreign broker-dealer has provided investment banking services within the previous 12 months.<sup>4</sup>

Example (to be tailored to reflect the foreign broker-dealer's actual ratings distribution):

Coverage Universe	Count	Percent	Inv. Banking Relationships	Count	Percent
<b>Speculative Buy</b>	[No.]	[X]%		[No.]	[X]%
<b>Buy</b>	[No.]	[X]%		[No.]	[X]%
<b>Hold</b>	[No.]	[X]%		[No.]	[X]%
<b>Sell</b>	[No.]	[X]%		[No.]	[X]%

### **G. Price Target**

If the research report contains a price target, disclose the valuation methods used to determine the price target. Price targets should have a reasonable basis and be accompanied by a disclosure concerning the risks that may impede achievement of the price target.

<sup>4</sup> This information must be current as of the end of the most recent calendar quarter (or the second most recent calendar quarter if the publication date is less than 15 calendar days after the most recent calendar quarter) and must reflect the distribution of the most recent ratings issued by the foreign broker-dealer for all companies covered by the foreign broker-dealer, unless the most recent rating was issued more than 12 months ago.

Example (to be tailored to reflect the foreign broker-dealer's actual valuation methods and risks):

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#### H. Price Chart

For research reports concerning an equity security to which a rating or price target has been assigned for at least one year, include a line graph of the security's daily closing prices for the period that any rating or price target has been assigned, or for a three-year period, whichever is the shorter. The line graph should: (1) indicate the dates on which each rating or price target was assigned or changed, and (2) depict each rating and price target assigned or changed on those dates.<sup>5</sup>

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