



Aberdeen City Council

Bond Governance
Insider Protocol - December 2017



Aberdeen City Council

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CONTENTS

No		Page
1	Introduction	3
2	Inside Information	3
3	Insider List	4 - 6
4	Maintenance of the Insider List	7
5	Acknowledgement of Market Abuse Obligations and Retention Periods	7
6	Risk	8
7	Disclosure of Inside Information	8
8	Unauthorised Disclosure of Inside Information	9
9	Training	9
10	Committee Reports	10
11	Persons Discharging Managerial Responsibilities and Persons Closely Associated	10 - 11
12	Freedom of Information Requests	11
13	Register of Interests	12
14	North East Pension Fund	12
15	London Stock Exchange Contact	12
16	Table summarising Roles and Responsibilities	12
17	Definitions	13
	Appendix 1	14
	Appendix 2	15
	Appendix 3	16 - 17
	Appendix 4	18
	Appendix 5	19 - 26
	Appendix 6	27

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Protocol Author	Deirdre Nicolson, Solicitor

1. INTRODUCTION

- 1.1 Aberdeen City Council (ACC) obtained a credit rating and issued Bonds on the London Stock Exchange in 2016 as part of a strategy to finance its capital investment programme.
- 1.2 The purpose of this protocol is to highlight the legislative and regulatory requirements which flow from the issue of the credit rating and Bonds and identify the systems, processes and people responsible for compliance.
- 1.3 Staff and Councillors are encouraged to familiarise themselves with the content of this document and their individual accountabilities and responsibilities.
- 1.4 The legislative and regulatory requirements are listed in Appendix 1.

2. INSIDE INFORMATION

- 2.1 The Market Abuse Regulations oblige ACC to maintain and keep up to date a list of individuals who have access to Inside Information.
- 2.2 Inside Information is information which
 - relates directly or indirectly to ACC or any of its group entities;
 - has not been made public;
 - is precise¹; and
 - if it were made public, would be likely to have a significant effect on the prices of one or more of the Council's Bonds or could have an impact on the Council's credit rating.
- 2.3 It is information which would also be considered confidential and would likely influence a reasonable investor's decision² in relation to one or more of the Bonds.
- 2.4 A decision tree has been created (Appendix 2) to assist in ascertaining whether the information would be considered as Inside Information.
- 2.5 Inside Information is not
 - research and estimates based on publicly available data³; or
 - information disclosed in the normal course of a person's employment, profession or duties⁴. This provision is designed to ensure that ACC can effectively continue operating and that it is not prohibited from disclosing Inside Information (for example a significant write-down of an asset in the accounts) to those employees who require that information in order to perform their functions. Another example is members of the financial control team who may be assisting in the preparation of the accounts. This exemption also enables ACC to disclose Inside Information to its external legal advisers and accountants, who may be assisting in certain transactions or involved in auditing the accounts.

¹ Market Abuse Regulations 596/2014 Article 7 (2)

² Market Abuse Regulations 596/2014 Article 7 (4)

³ Market Abuse Regulations 596/2014 para 28

⁴ Market Abuse Regulations 596/2014 para 35 and Article 10

3. INSIDER LIST

- 3.1** ACC is obliged to create a list of those individuals who have access to Inside Information.
- 3.2** ACC must provide the Financial Conduct Authority with the list as soon as possible upon request⁵. The Financial Conduct Authority will use the list as a tool when investigating possible market abuse.
- 3.3** The list has to include⁶ the identity of the person having access to the information including:
- the reason the person is on the list;
 - the date and time at which the person obtained access to the inside information⁷; and
 - the date on which the insider list was drawn up.
- 3.4** The regulations also prescribe the format of the lists⁸. See Appendix 3 for the precise format.
- 3.5** The HoLDS is responsible for the creation and maintenance of the list.
- 3.6** The list is spilt into two sections:
- a Permanent section; and
 - a Deal Specific or Event Driven section.
- 3.7** The Permanent Section of the list shall comprise of all persons who, due to their nature or function, have access at all times to all inside information. From an ACC perspective this will include:
- all Councillors⁹;
 - all Directors;
 - all Heads of Service;
 - all PAs to Directors and Heads of Service;
 - Communication Team; and
 - additional employees identified by Heads of Service.
- 3.8** The Deal Specific or Event Driven section shall comprise of Persons
- who have access to Inside Information at a certain point in time. This may be due to the fact that they are involved in contract negotiations for a specific capital project;
 - who are involved in setting the Council's long term strategy;
- 3.9** Information which relates to an event or set of circumstances which is an intermediate step in a protracted process, for example terms provisionally agreed in contract negotiations may also require a list to be created.

- 3.10** It will be the responsibility of all Heads of Service, having consulted with the Strategic Asset and Capital Board, to recommend to the HoLDS that a Deal Specific or Event Driven list be created.
- 3.11** In making the recommendation, Heads of Service should bear in mind the test, set out in Section Two above, is the likelihood that a reasonable investor would have used the information to make his or her decision to invest in ACC's bonds and take into consideration:
- whether or not the project is listed on ACC's Strategic Business Plan;
 - the total amount of capital (including any capital grants to ALEOs) to be spent on a project;
 - the projected revenue arising from the project; and/or
 - major reputational impact.
- 3.12** Following the recommendation by the Head of Service, it will be the HoLDS' responsibility to decide if it is appropriate for a Deal Specific or Event Driven list to be created.
- 3.13** In the event the HoLDS confirms to the Head of Service that it is appropriate for a Deal Specific or Event Driven list, the Head of Service shall provide a list of names and other details as requested by the HoLDS in order from him to create an appropriate list. This may include members of other authorities, Board members and Chief Officers of ALEOs and Board Members and Chief Officers of the Integrated Joint Board.
- 3.14** The following table should be used by Heads to Service in deciding which individuals should be included in a Deal Specific or Event Driven list:

⁵ Market Abuse Regulations 596/2014 Article 18

⁶ Market Abuse Regulations 596/2014 Article 18 (3)

⁷ This only applies to Deal Specific or Event Based lists

⁸ Implementing Technical Standards Regulations 347/2016

⁹ By virtue of their ability to request information

Role	Should they be on a Deal Specific or Event Driven List?
Budget Holders	<ul style="list-style-type: none"> • Depends on the scope and size of the budget
Third Tier	<ul style="list-style-type: none"> • Major role in strategic Project Team
Project Team Members	<ul style="list-style-type: none"> • Strategic Projects only • Project Director, Project Manager and Project Accountant
Legal Services Team	<ul style="list-style-type: none"> • Major role in strategic Project Team
Finance Team	<ul style="list-style-type: none"> • Major role in strategic Project Team
Commercial & Procurement Services	<ul style="list-style-type: none"> • Only if part of strategic Project Team
Arms Length External Organisations Organisation Employees	<ul style="list-style-type: none"> • Chief Officers if receiving significant capital funding
Directors of "Group Entities" including ALEOS	<ul style="list-style-type: none"> • If receiving significant capital funding
Advisors	<ul style="list-style-type: none"> • Major role in Strategic Project Team
Consultants	<ul style="list-style-type: none"> • Major role in Strategic Project Team
Trade Union Representatives	<ul style="list-style-type: none"> • Unlikely
Internal Auditors	<ul style="list-style-type: none"> • If scope of audit is strategic capital projects
External Auditors	<ul style="list-style-type: none"> • If scope of audit is strategic capital projects

3.14 If an individual is on the Permanent list, he/she does not need to be included on a Deal Specific or Event Driven list.

3.15 There are many instances when Trade Union representatives have access to confidential information. However, as they do not have access at all times to all confidential information the test to include them on the permanent section of the Insider List has not been met. Whether or not the individual representative would require to be included on an event driven list would need to be decided on a case by case basis. It is unlikely that an event driven list would need to be drawn up when Trade Unions represent individual employees on disciplinary matters as the outcome of such a case would be unlikely to have an impact on an investor's decision. An exception may be if the individual were the Chief Executive or Chief Financial Officer.

3.16 Trade Union representatives are consulted on staff re-organisations and budget setting. Whether there would be a requirement to set up a specific event driven list which would necessitate the inclusion of Trade Union representatives will be monitored. Any negotiations resulting from a significant long term industrial action may also be classified as Inside Information and as such would likely require a specific event driven list.

4. MAINTENANCE OF THE INSIDER LIST

- 4.1** Legal and Democratic Services shall regularly update the list¹⁰ to include the following changes in the reason for including a person on the Insider List:
- change of post;
 - new persons who have access to Inside Information and need to be included on either section of the list; and
 - persons ceasing to have access to Inside Information.
- 4.2** Each update shall specify the date and time of the event that triggered the update.
- 4.3** In order to facilitate the update of the list, the Payroll Section, Human Resources provide, on a monthly basis, a report based on job numbers provided.
- 4.4** As the lists are confidential, they shall be securely stored. They are required to be kept for a period of five years¹¹ from the date they have been drawn up or updated and shall be destroyed in accordance with Legal Services Records Retention and Disposal Schedule.
- 4.5** The process is shown in Appendix 4.

5. ACKNOWLEDGEMENT OF MARKET ABUSE OBLIGATIONS AND RETENTION PERIODS

- 5.1** The HoLDS is responsible for issuing a letter to all persons on the Insider List advising them of the legal and regulatory duties of being on the Insider List and making them aware of the sanctions involved. A copy of the letter is included in Appendix 5.
- 5.2** The Members Support team provides support and assistance in issuing the letter to members
- 5.3** The HR Service Centre team may provide support and assistance in issuing the letter to employees.
- 5.4** A copy of the letter and acknowledgement by employees will be maintained on the individuals HR files and retained for a period of seven years¹² once the employee has left the employment of the Council.
- 5.5** The HoLDS will keep all letters issued and acknowledgments for a minimum of five years not otherwise retained by HR after the individual's last entry on the Insider List.

¹² HR files maintained for a minimum of seven years for tax purposes.

¹⁰ Market Abuse Regulations 596/2014 Article 18 (4)

¹¹ Market Abuse Regulations 596/2014 Article 18 (5)

6. RISK

- 6.1** The HoLDS is responsible for monitoring the governance risks associated with the credit rating and bond issue.
- 6.2** The Head of Finance is responsible for monitoring the financial risks associated with the credit rating and bond issue.
- 6.3** The responsible Head of Service shall ensure that any projects listed on the Strategic Plan for which he/she has overall accountability shall include a risk to Bond and Credit Rating and appropriate mitigations in the project risk register.

7. DISCLOSURE OF INSIDE INFORMATION

- 7.1** The Market Abuse Regulations and the Financial Conduct Authority regulate the disclosure of Inside Information.
- 7.2** Inside Information will generally be announced at the point in time the Council or one of its committee has made a decision relating to the information. Examples include approval of the quarterly or annual accounts or award of a major capital project to a specific contractor or consortium.
- 7.3** In addition, the following will also be announced through the London Stock Exchange:
- results of Council Elections;
 - changes in Administration; and
 - changes in the Chief Executive, Directors, the Monitoring Officer or Section 95 Officer.
- 7.4** The decision to make an announcement will be taken by Head of Finance or his/her delegate following consultation with the HoLDS.
- 7.5** Where there has been a delay in disclosing Inside Information, the Head of Finance must notify the Financial Conduct Authority of the delay immediately¹³. Any decision to delay disclosure will be taken by the Head of Finance.
- 7.6** The External and Internal Communications Manager will be responsible for making the announcement to the London Stock Exchange following the Head of Finance's instructions.
- 7.7** All announcements will be made using "RNS Submit" or such other regulatory news service for financial news or announcement as maybe decided upon from time to time.

¹³ Market Abuse Regulation Article 17

8. UNAUTHORISED DISCLOSURE OF INSIDE INFORMATION

- 8.1** The Market Abuse Regulations prohibit the unauthorised disclosure of Inside Information.
- 8.2** ACC's Managing Discipline Policy & Procedure applies to all employees. Breaches of confidentiality, non-disclosure of an interest (conflict of interest), whether direct or indirect and serious breaches of Standing Orders, Procurement Regulations or Financial Regulations are all considered types of gross misconduct. Gross misconduct can result in dismissal.¹⁴ Unauthorised disclosure of Inside Information is also a breach of confidentiality and would also be considered as gross misconduct.
- 8.3** Contractors and Agency staff are subject to the terms and conditions of their individual contracts. Breaches of confidentiality, including unauthorised disclosure of Inside Information will constitute grounds for termination of the contract.
- 8.4** Councillors are subject to the Councillor's Code of Conduct and are obliged to observe, respect and comply with all confidentiality requirements. Sanctions for breaches of the Code are censuring, suspension and disqualification. Unauthorised disclosure of Inside Information is also a breach of confidentiality and may be reported to the Commissioner for Ethical Standards.
- 8.5** In the event of a breach, the matter may be referred to the Police.
- 8.6** Breaches may also be referred to London Stock Exchange and Financial Conduct Authority.

9. TRAINING

- 9.1** Training is available to provide guidance on:
- what Bonds are;
 - why ACC has issued them;
 - what a credit rating is;
 - the implications of the Bonds and credit rating on how ACC operates;
 - who should be on the Insider List;
 - the implications of being on the Insider List; and
 - where to go for further help and guidance.
- 9.2** Training is mandatory for all individuals identified as being on the Permanent Insider List or on the Deal or Event Specific List. Records will be maintained in relation to employees and members who have undergone training in the Bonds and Credit Rating.
- 9.3** Informational sessions can be provided to trade union representatives, ALEOs and the IJB in order to enhance understanding of the statutory requirements resulting from the issue of the bonds.
- 9.4** An OIL module will be available to induct new employees on the Bonds and Credit Rating.

¹⁴ Aberdeen City Council Managing Discipline Policy and Procedure

10. COMMITTEE REPORTS

- 10.1** ACC's Report Author Guidance stipulates that Officers have to include Financial and Legal Implications when authoring reports for consideration by the Council and its various Committees and Sub-Committees. This would include whether the report topic has any implications or impact on the issue or valuation of the Bonds and/or the Council's credit rating. The report author would also need to consider whether the report was disclosing Inside Information which would require an announcement on the London Stock Exchange.
- 10.2** In addition to reports which set and report on the Council's budgets there are a number of other reports which may have an impact. Examples of these are reports approving major capital investments, or reports advising of significant delays of major capital projects especially those that would have an impact on future revenue streams. When drafting reports, Officers should also consider the cumulative impact of delays/project over-spends.

11. PERSONS DISCHARGING MANAGERIAL RESPONSIBILITIES AND PERSONS CLOSELY ASSOCIATED

- 11.1** The Market Abuse Regulations are designed to provide valuable information for financial market participants and constitute additional means for authorities, including the Financial Conduct Authority, to supervise the market.
- 11.2** Regulation 15 requires that notification is provided to the Financial Conduct Authority¹⁵ by issuers (i.e. ACC), Persons Discharging Managerial Responsibilities (PDMRs) and Persons Closely Associated (PCAs) in respect of transactions conducted in their own account in shares or debt instruments of the issuer, or derivatives or any other financial instruments relating to these shares or debt instruments. The regulations
- require ACC to make all PDMRs aware of their responsibilities;
 - require ACC to draw up a list of all PDMRs;
 - prescribe content for notifications;
 - set a limit of EUR 5000 per calendar year, above which an obligation to disclose PDMR transactions is triggered; and
 - set a closed period of PDMR transactions in the 30 day period prior to the publication of an interim financial report or year-end report that the issuer must publish.

Regulations lay down the format and template for notification and public disclosure of Managers' transactions¹⁶. These regulations have been translated into a form¹⁷ by the FCA in the event a PDMR transaction has to be notified.

- 11.3** As Aberdeen City Council has issued Bonds ("debt instrument"), the provisions mentioned above apply. However, the Bonds have been initially sold to large investment institutions who invest for the long term and not individuals. Index-linked bonds are notoriously illiquid and it is anticipated there will be limited prospects to trade/buy. A PDMR list will be maintained by the HoLDS.

- 11.4** It should also be noted that in terms of the Regulations, in addition to the obligation to notify the Financial Conduct Authority of transactions over 5000 Euros in a calendar year, there is an obligation to notify if a PDMR transacts in “Financial instruments linked to the Bond”.
- 11.5** The Head of Finance will advise all PDMRs of their obligations prior to the Committee approving quarterly and annual financial results.
- 12.6** The Head of Finance will announce any PDMR transactions within three business days of the transaction to the London Stock Exchange using RNS Submit. (add footnote - see paragraph 7)

12. FREEDOM OF INFORMATION REQUESTS AND DATA PROTECTION

12.1 Requests for information which relate to the Insider List and Inside Information will be considered in the same way as any other Freedom of Information (FOI) request. This includes the FOI team identifying requests and consulting with the External and Internal Communications team on requests which are:

- from a Journalist;
- political; or
- sensitive.

It is anticipated that the following exemptions would apply and would in turn prevent information classified as Inside Information being disclosed:

- Prohibition on Disclosure¹⁸;
 - The Market Abuse legislation¹⁹ obliges the Council to ensure the confidentiality of the information included in the Insider List at all times and limits access to the List to those that need access due to their function or position. As such requests may be refused under s26 (2) of the Freedom of Information (Scotland) Act 2002 as release of the information would be incompatible with an EU obligation.
- Information intended for Future Publication²⁰;
- Prejudice to the Effective Conduct of Public Affairs²¹;
- Commercial Interests and the Economy²²; and
- Confidentiality²³.

12.2 In the unlikely event that Inside Information has to be released through the FOI process which has not yet been publically disclosed, then the Inside Information will also require to be disclosed through the Stock Exchange in terms of Section 7 above.

12.3 As the Insider Lists contain sensitive personal data, processing of the data is covered by Data Protection Act 1998.

¹⁵ Article 19 of Regulation (EU) 596/2014

¹⁶ Commission Implementing Regulation (EU) 2016/523 of 10 March 2016 laying down implementing technical standards with regard to the format and template for notification and public disclosure of managers’ transactions in accordance with Regulation (EU) No 596/2014 of the European Parliament and of the Council

¹⁷ https://www.fca.org.uk/search-results?search_term=pdmr

¹⁸ Freedom of Information (Scotland) Act 2002 s.26

¹⁹ Commission Implementing Regulation (EU) 2016/347

²⁰ Freedom of Information (Scotland) Act 2002 s.27

²¹ Freedom of Information (Scotland) Act 2002 s.30

²² Freedom of Information (Scotland) Act 2002 s.33

²³ Freedom of Information (Scotland) Act 2002 s.33

13. REGISTER OF INTERESTS

- 13.1** In terms of The Ethical Standards in Public Life etc. (Scotland) Act 2000 (Register of Interests) Regulations 2003 and the Councillor's Code of Conduct, Councillors must register their interest in shares and securities "where the value of the shares" is greater than 1% of the share capital of a company or is greater than £25,000.
- 13.2** The Standards Commission have confirmed that the intent of the Regulations is to include Bonds and accordingly Members are advised to register their Interests in any Bonds over £25,000 excluding National Savings & Investments Premium Bonds.
- 13.3** The Members Support team regularly remind Councillors of their duties viz a viz the Council's Register of Interests.
- 13.4** HR maintain a Register of Interests for Chief Officers in which they are required to register, inter alia, interests in shares and Bonds.

14. NORTH EAST PENSION FUND

- 14.1** The Pensions Act 1995 and Occupational Pension Schemes (Investment) Regulations 2005/3378 restrict the investment powers of pension trustees²⁴.
- 14.2** Pension trustees are prohibited from investing in "employer-related loans".
- 14.3** The North East Pension Fund trustees and managers could be acting Ultra Vires in investing in a Bond issued by Aberdeen City Council when Aberdeen City Council is also the Pension Fund Administrator as this would effectively amount to a Employer Related Loan under section 40 of the 1995 Act.
- 14.4** As the trustees may be guilty of an offence (section 40(5) of the 1995 Act) and be subject to fines and/or conviction it has been recommended that the North East Pension fund should not invest in Bonds issued by ACC.

15. LONDON STOCK EXCHANGE CONTACT

- 15.1** The London Stock Exchange Admission and Disclosure Standards²⁵ require Aberdeen City Council to identify a person responsible for communications with the Exchange.
- 15.2** The Head of Finance is responsible for Communications with the London Stock Exchange.

16. TABLE SUMMARISING ROLES AND RESPONSIBILITIES

A table summarising roles and responsibilities is included in Appendix 6.

²⁴ Pensions Act 1995 s40(5)

²⁵ Paragraph 1.6

17. DEFINITIONS

ALEO	<p>Arm's Length External Organisation</p> <p>ACC has six ALEOs which provide a variety of services on behalf of the Council.</p>
FCA	<p>Financial Conduct Authority</p>
HoLDS	<p>Head of Legal and Democratic Services and his/her nominee</p>
PDMR	<p>Person Discharging Managerial Responsibility 25</p> <p>Members of the administrative, management or supervisory body of that entity or a senior executive who is not a member of the administrative, management or supervisory body but has access to Inside Information.</p> <p>From an ACC perspective, this would mean all Councillors, Directors and Heads of Service along with those employees who have regular access to Inside Information. In other words, the majority of the individuals who are on the permanent section of the Insider List.</p>
PCA	<p>Person Closely Associated 26 (with a PDMR)²⁶</p> <ul style="list-style-type: none"> • PDMR's spouse or equivalent to a spouse under national law • A depends child of the PDMR • A relative of the PDMR who has shared the same household for at least one year on the date of the transaction concerned • A legal person, trust or partnership, the managerial responsibilities of which are discharged by the PDMR or by any person in any of the three bullets above, or which is directly or indirectly controlled by such a person, or which is set up for the benefit of such a person or whose economic interests are substantially equivalent to those of such a person
Inside Information	<p>Inside Information is information which</p> <ul style="list-style-type: none"> • Relates directly or indirectly to ACC or any of its group entities • Has not been made public • Is precise • If it were made public, would be likely to have a significant effect on the prices of one or more of the Council's Bonds or could have an impact on the Council's credit rating <p>It is information which would also be considered confidential and would likely influence a reasonable investor's decision in relation to one or more of the Bonds</p>
Market Abuse Regulations	<p>The Market Abuse Regulations are the</p> <ul style="list-style-type: none"> • Regulation (EU) No 596/2014²⁷ of the European Parliament and of the Council on Market Abuse (Market Abuse Regulation) 596/2014 and • Commission Implementing Regulation (EU) 2016/347²⁸ laying down implementing technical standards with regard to the precise format of Insider Lists and for updating Insider Lists

²⁶ Person Closely Associated 26 (with a PDMR)

²⁷ Article 3 (25) – Regulation (EU) No 596/2014

²⁸ Article 3 (26) – Regulation (EU) No 596/2014

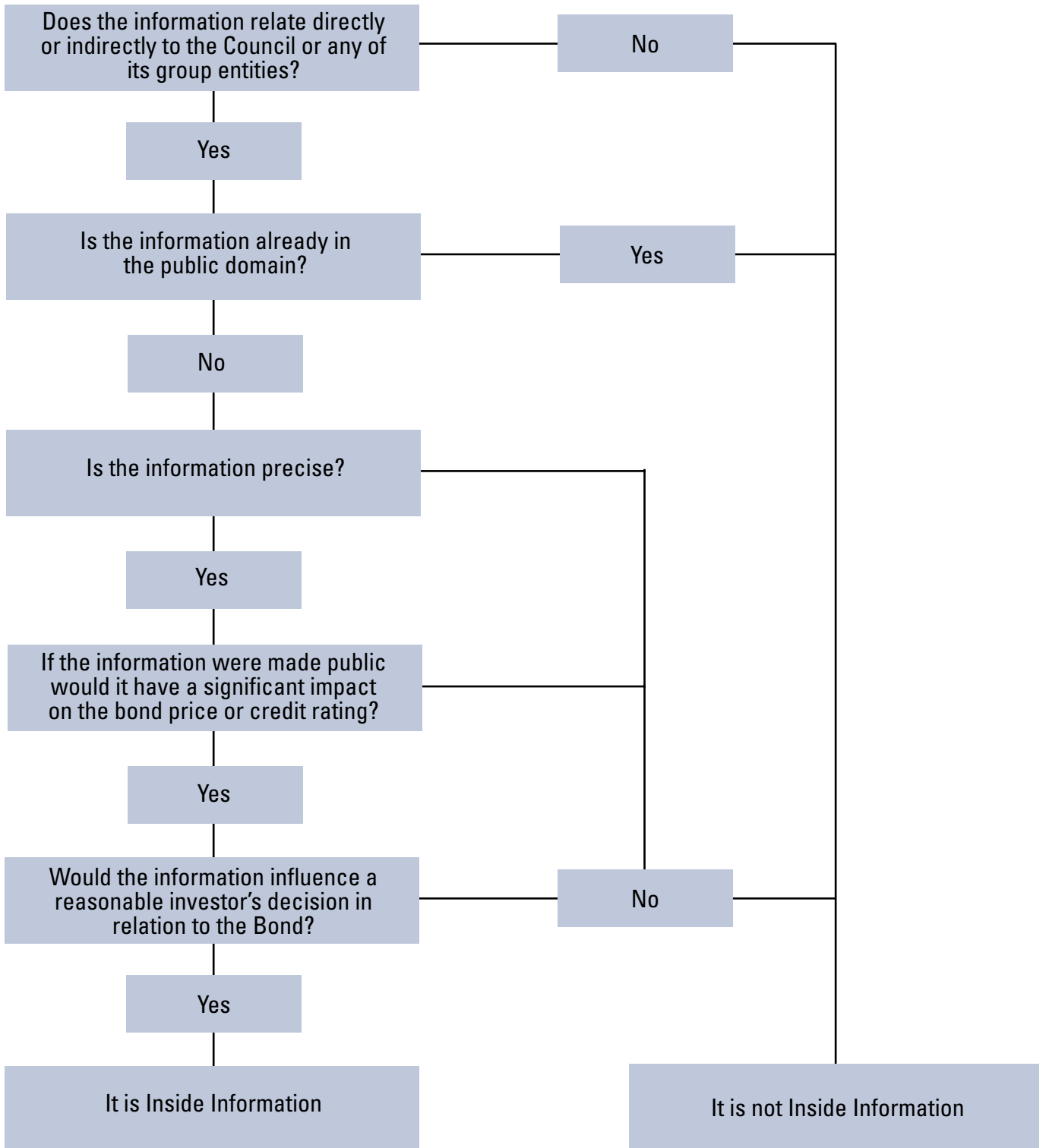
APPENDIX 1

List of Regulations

1. Regulation (EU) No 596/2014 of the European Parliament and of the Council on Market Abuse (Market Abuse Regulation) 596/2014
2. Commission Implementing Regulation (EU) 2016/347 laying down implementing technical standards with regard to the precise format of Insider Lists and for updating Insider Lists
3. Criminal Justice Act 1993
4. Fraud Act 2006
5. Financial Services Act 2012
6. Financial Services and Markets Act 2000 (Market Abuse) Regulations 2016 No. 680
7. London Stock Exchange Regulations

APPENDIX 2:

Inside Information Decision Tree



APPENDIX 3:

Format of Insider Lists: Deal-specific or Event-based

**ANNEX 1
TEMPLATE 1**

Insider list: section related to (Name of the deal-specific or event-based inside information)

Date and time (of creation of this section of the insider list, i.e. when this inside information was identified): (yyyy-mm-dd; hh:mm UTC
(Co-ordinated Universal Time)

Date and Time (last update): (yyyy-mm-dd, hh:mm UTC (Co-ordinated Universal Time)

Date of transmission to the competent authority: (yyyy-mm-dd)

First name(s) of the insider	Surname(s) of the insider	Birth name(s) of the insider (if different)	Professional telephone number(s) (work direct line and work mobile numbers)	Company name and address	Function and reason for being insider	Obtained (the date and time at which a person obtained access to inside information)	Obtained (the date and time at which a person obtained access to inside information)	Date of birth	National Identification Number (if applicable)	Personal telephone numbers (home and personal mobile telephone numbers)	Personal full home address: street name, street number, city, post/zip code, country)
(Text)	(Text)	(Text)	(Numbers (no space))	(Address of issuer/emission allowance participant/auction platform/auctioneer/auction monitor or third party of insider)	(Text describing role, function and reason for being on this list)	(yyyy-mm-dd, hh:mm UTC)	(yyyy-mm-dd, hh:mm UTC)	(yyyy-mm-dd)	(Number and/or text)	(Numbers (no space))	(Text: detailed personal address of the insider - Street name and street number - City - Post/zip code - Country)

APPENDIX 3 (Continued):

Format of Insider Lists: Permanent Section

TEMPLATE 2

Permanent insiders section of the insider list

Date and time (of creation of the permanent insiders section) (yyyy-mm-dd; hh:mm UTC (Co-ordinated Universal Time)

Date and Time (last update): (yyyy-mm-dd, hh:mm UTC (Co-ordinated Universal Time)

Date of transmission to the competent authority: (yyyy-mm-dd)

First name(s) of the insider	Surname(s) of the insider	Birth name(s) of the insider (if different)	Professional telephone number(s) (work direct telephone line and work mobile numbers)	Company name and address	Function and reason for being insider	Included (the date and time at which a person was included in the permanent insider section)	Date of birth	National Identification Number (if applicable)	Personal telephone numbers (home and personal mobile telephone numbers)	Personal full home address: street name, street number, city, post/zip code, country)
(Text)	(Text)	(Text)	(Numbers (no space))	(Address of issuer/emission allowance market participant/auction platform/auction tioneer/auction monitor or third party of insider)	(Text describing role, function and reason for being on this list)	(yyyy-mm-dd, hh:mm UTC)	(yyyy-mm-dd)	(Number and/or text)	(Numbers (no space))	(Text: detailed personal address of the insider - Street name and street number - City - Post/zip code - Country)

APPENDIX 4:
Process Map To Follow

APPENDIX 5:**Letter Acknowledging Market Abuse Responsibilities as at 16 October 2017**

Our Ref. P010743
 Your Ref.
 Contact Fraser Bell
 Email FrBell@aberdeencity.gov.uk
 Direct Dial 01224 522084
 Direct Fax



Legal and Democratic
 Services
 Corporate Governance
 Aberdeen City Council
 Level 1 South
 Marischal College
 Broad Street
 Aberdeen AB10 1AB

Tel 03000 200 291
 Minicom 01224 522381
 DX 529450, Aberdeen 9
www.aberdeencity.gov.uk

Dear

INSIDER LIST

As you are aware, Aberdeen City Council (ACC) has issued Bonds on the London Stock Exchange in order to finance its Capital Programme. This means that ACC must comply with the Market Abuse Regulations which were introduced to increase financial market integrity and protect investors. In terms of these regulations, ACC is obliged to keep a list of those individuals who have access to Inside Information.

You have received this letter as you have been identified as having access to Inside Information relating to ACC. This letter explains below what Inside Information is and the consequences of making unauthorised disclosures of such information as well as the implications should you wish to deal in ACC Bonds. Please note that you already have access to this information and already have a duty of confidentiality in respect of it, as outlined below. The difference now is that there are further statutory rules and regulations which bind ACC and in turn its employees and elected members in the way that some confidential information is now handled.

You must read this letter carefully and sign and return the acknowledgement slip on its last page to me within 14 days of the date of this letter.

1. DUTY OF CONFIDENTIALITY

In terms of your current contract of employment, the Employee Code of Conduct and ACC's policies and procedures, you are already under a duty of confidentiality in respect of any confidential information you receive (whether about ACC or a third party) and you must not use or disclose such information without authorisation.

ACC already have the right to take disciplinary action, including dismissal against you if you breach this duty of confidence.

The Market Abuse Regulations make reference to "Inside Information." This is information which:

- is of a precise nature;
- has not been made public;
- relates, directly or indirectly, to ACC (including its group entities) or to the Bonds that ACC has issued; and
- if it were made public, would likely have a significant effect on the price or value of those Bonds or on ACC's credit rating.

Information is likely to have a significant effect in this way if it is information that a reasonable investor would be likely to use as part of the basis of his/her investment decisions.

2. INSIDE INFORMATION AND INSIDER DEALING

It is a criminal offence for an individual who has Inside Information to deal in securities, normally shares, but this includes bonds, whose price would be likely to be significantly affected by that Information if made public. It is also a criminal offence to disclose Inside Information other than in the proper performance of the functions of your employment or to encourage others to deal.

Insider Dealing arises when a person who is in possession of Inside Information takes advantage of a benefit gained from having that information.

An individual guilty of Insider Dealing may be liable to a fine and/or to imprisonment.

3. MARKET ABUSE PROVISIONS

The market abuse regime prohibits the following types of behaviour:

- Engaging, or attempting to engage, in Insider Dealing.
- Recommending that another person engage in Insider Dealing or inducing another person to engage in Insider Dealing.
- Unlawfully disclosing Inside Information.
- Market manipulation and attempted market manipulation, which comprises the following activities:
 - Entering into a transaction, placing an order to trade or any other behaviour which gives or is likely to give, false or misleading signals as to the supply or demand for, or price of, one of ACC's Bonds securities, or is likely to secure, the price of one or several of ACC's Bonds at an abnormal or artificial level;
 - Entering into a transaction, placing an order to trade or any other behaviour or activity which involves any form of deception; and
 - Disseminating information by any means which gives, or is likely to give, false or misleading signals as to the supply of, demand for, or price of, ACC's Bonds, or is likely to secure the price of one or several of ACC's Bonds at an abnormal or artificial level, including the dissemination of rumours where the person who made the dissemination knew, or ought to have known, that the information was false or misleading.

Market abuse is not a criminal offence and therefore it is not punishable with imprisonment. However, the Financial Conduct Authority may impose:

- unlimited financial penalties;
- publicly censure a person; and/or
- make an order to compensate to affected persons.

Interdicts to prevent market abuse (and to freeze assets) may also be available. An interdict is a court order to stop someone from breaching rights. In other words it could be used to prevent unauthorised disclosure of Inside Information.

If the abusive behaviour falls within the scope of the Insider Dealing provisions of the Criminal Justice Act 1993, it will also be a criminal offence and will be punishable with imprisonment.

4. INSIDER LIST OBLIGATIONS

ACC must draw up, and promptly update, a list of all persons who have access to Inside information (Insider list). Insider lists must be provided to the Financial Conduct Authority as soon as possible on request. The Insider list will consist of two parts:

- a list of those who have access to Inside Information on a permanent basis; and
- lists of those that have access to Inside Information on a Deal Specific or Event driven basis.

A Protocol which narrates the purpose of the Insider List and supporting processes is being developed which will give further guidance and information on how to handle Insider Information. This will include an instruction to contact the Head of Legal and Democratic Services to decide whether a Deal Specific or Event driven list would be required and, if so, who should be on it.

5. COMMUNICATION REQUIREMENTS

You should take steps to ensure that Inside Information you have is kept confidential by restricting access to it and only communicating it on a “need to know” basis. The number of people aware of Inside Information should be kept to the minimum reasonably practicable. Incidental access to Inside Information needs to be eliminated so far as possible.

Going forward, external advisers or other third parties should only be made aware of Inside Information with the prior authority of the Head of Legal and Democratic Services. Individuals should only be made Insiders if they are clearly made aware of and acknowledge the need for confidentiality and the information disclosed, even to an Insider, should be limited to what he/she needs to know at any particular time (rather than allowing access to all information that is available).

In addition, ACC requires that you comply with the following:

- Documents containing Inside Information should not be read or worked on where they can be read by others and should only be taken off-site when absolutely necessary.
- Sealed non-transparent envelopes should be used for internal circulation of hard copy documents containing Inside Information.
- There should be no discussions of Inside Information in public areas.
- Wherever practical, documents containing Inside Information should be kept in locked cabinets and IT access to emails/documents should be restricted only to those to whom access should be granted.
- Documents containing Inside Information should be password protected and/or access to those documents should be restricted to a limited number of persons.
- Code names should be used where possible in all documents, correspondence (including emails) and discussions that relate to individual projects that constitute Inside Information.
- Access to computers and other electronic devices used by those with access to Inside Information should be restricted through the use of passwords.
- Thought should be given to which persons need to see particular emails: access to Inside Information should be limited to only those who need to see it.

6. FURTHER INFORMATION

In order to address these issues more fully, a number of training events have been arranged. Please sign up via Eventbrite. The proposed dates are listed on page 4.

Please remember that this letter is a summary and is not exhaustive. It should therefore not be used as a substitute for specific legal advice on your own specific circumstances and so you may wish to seek your own independent legal advice on this matter.

If you would like further information in respect of the above, please do not hesitate to contact me in the first instance.

Yours Sincerely,

Fraser Bell
Head of Legal and Democratic Services

Dates of Training:

Acknowledgement slip

Please complete this form and return it to Fraser Bell, Head of Legal and Democratic Services by 2017

I hereby acknowledge receipt of the letter dated on Inside Information and confirm that:

- a. I have read the Letter;
- b. I am aware of the legal and regulatory duties entailed in having access to Inside Information (including dealing restrictions in relation to the ACC's Bonds);
- c. I am aware of the sanctions applicable to the unlawful disclosure of Inside Information and Insider Dealing;
- d. I consent to the disclosure of the Insider List to the Financial Conduct Authority upon its request.

I understand that I will appear on an Insider List maintained by ACC and that I should inform the Head of Legal and Democratic Services of the matters referred to in section 5 of the Letter as required.

I also understand that this additional duty of confidentiality will be considered an express term within my contract of employment and that this acknowledgement will be kept on my HR file.

Name:

Position:

Service:

Date:

Style - Members Our Ref. P010743
 Your Ref.
 Contact Fraser Bell
 Email FrBell@aberdeencity.gov.uk
 Direct Dial 01224 522084
 Direct Fax



Legal and Democratic
 Services
 Corporate Governance
 Aberdeen City Council
 Level 1 South
 Marischal College
 Broad Street
 Aberdeen AB10 1AB

Tel 03000 200 291
 Minicom 01224 522381
 DX 529450, Aberdeen 9
 www.aberdeencity.gov.uk

Dear

INSIDER LIST

As you are aware, Aberdeen City Council (ACC) has issued Bonds on the London Stock Exchange in order to finance its Capital Programme. This means that ACC must comply with the Market Abuse Regulations which were introduced to increase financial market integrity and protect investors. In terms of these regulations, ACC is obliged to keep a list of those individuals who have access to Inside Information.

You have received this letter as you have been identified as having access to Inside Information relating to ACC. This letter explains below what Inside Information is and the consequences of making unauthorised disclosures of such information as well as the implications should you wish to deal in ACC Bonds. Please note that you already have access to this information and already have a duty of confidentiality in respect of it, as outlined below. The difference now is that there are further statutory rules and regulations which bind ACC and in turn its elected members and employees in the way that some confidential information is now handled.

You are asked to read this letter carefully and sign and return the acknowledgement slip to me within 14 days of the date of this letter.

1. DUTY OF CONFIDENTIALITY

In terms of the Councillors' Code of Conduct, you are already under a duty of confidentiality in respect of any confidential information you receive (whether about ACC or a third party) and you must not use or disclose such information without authorisation.

As you will appreciate, members who breach this duty of confidence are subject to potential censure, suspension and/or disqualification by the Standards Commission.

The Market Abuse Regulations make reference to "Inside Information." This is information which:

- is of a precise nature;
- has not been made public;
- relates, directly or indirectly, to ACC (including its group entities) or to the Bonds that ACC has issued; and
- if it were made public, would likely have a significant effect on the price or value of those Bonds or on ACC's credit rating.

Information is likely to have a significant effect in this way if it is information that a reasonable investor would be likely to use as part of the basis of his/her investment decisions.

Inside Information would always be considered confidential. The converse is not necessarily the case. If you are in any doubt, please feel free to contact me.

2. INSIDE INFORMATION AND INSIDER DEALING

It is a criminal offence for an individual who has Inside Information to deal in securities, normally shares, but this includes bonds, whose price would be likely to be significantly affected by that Information if made public. It is also a criminal offence to disclose Inside Information other than in the proper performance of the functions of your office or to encourage others to deal.

Insider Dealing arises when a person who is in possession of Inside Information takes advantage of a benefit gained from having that information.

An individual guilty of Insider Dealing may be liable to a fine and/or to imprisonment.

3. MARKET ABUSE PROVISIONS

The market abuse regime prohibits the following types of behaviour:

- Engaging or attempting to engage in Insider Dealing.
- Recommending that another person engage in Insider Dealing or inducing another person to engage in Insider Dealing.
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 - Entering into a transaction, placing an order to trade or any other behaviour which gives or is likely to give, false or misleading signals as to the supply or demand for, or price of, one of ACC's Bonds, which secures, or is likely to secure, the price of one or several of ACC's Bonds at an abnormal or artificial level;
 - Entering into a transaction, placing an order to trade or any other behaviour or activity which in each case involves any form of deception; and
 - Disseminating information by any means which gives, or is likely to give, false or misleading signals as to the supply of, demand for, or price of, ACC's bonds, or is likely to secure the price of one or several of ACC's bonds at an abnormal or artificial level, including the dissemination of rumours where the person who made the dissemination knew, or ought to have known, that the information was false or misleading.

Market abuse is not a criminal offence and therefore it is not punishable with imprisonment. However, the Financial Conduct Authority may impose:

- unlimited financial penalties;
- publicly censure a person; and/or
- make an order to compensate affected persons.
- Interdicts to prevent market abuse (and to freeze assets) may also be available. An interdict is a court order to stop someone from breaching rights. In other words it could be used to prevent unauthorised disclosure of Inside Information.

If the abusive behaviour falls within the scope of the Insider Dealing provisions of the Criminal Justice Act 1993, however, it will also be a criminal offence and will be punishable with imprisonment.

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ACC must draw up, and promptly update, a list of all persons who have access to Inside information (Insider list). Insider lists must be provided to the Financial Conduct Authority as soon as possible on request.

5. COMMUNICATION REQUIREMENTS

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Going forward, external advisers or other third parties should only be made aware of Inside Information with the prior authority of the Head of Legal and Democratic Services. Individuals should only be made Insiders if they are clearly made aware of and acknowledge the need for confidentiality and the information disclosed, even to an Insider, should be limited to what he/she needs to know at any particular time (rather than allowing access to all information that is available).

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- Thought should be given to which persons need to see particular emails: access to Inside Information should be limited to only those who need to see it.

6. FURTHER INFORMATION

Please remember that this letter is a summary and is not exhaustive. It should therefore not be used as a substitute for specific legal advice on your own specific circumstances and so you may wish to seek your own independent legal advice in this matter.

If you would like further information in respect of the above, please do not hesitate to contact me in the first instance.

Yours Sincerely,

Fraser Bell
Head of Legal and Democratic Services

Acknowledgement slip

Please complete this form and return it to Fraser Bell, Head of Legal and Democratic Services by 28 July 2017

I hereby acknowledge receipt of the letter dated on Inside Information and confirm that:

- a. I have read the Letter;
- b. I am aware of the legal and regulatory duties entailed in having access to Inside Information (including dealing restrictions in relation to the ACC's Bonds);
- c. I am aware of the sanctions applicable to the unlawful disclosure of Inside Information and Insider Dealing;
- d. I consent to the disclosure of the Insider List to the Financial Conduct Authority upon its request.

I understand that I will appear on an Insider List maintained by ACC and that I should inform the Head of Legal and Democratic Services of the matters referred to in section 5 of the Letter as required.

I also understand that this additional duty of confidentiality will be considered an express term within my contract of employment and that this acknowledgement will be kept on my HR file.

Name:

Position:

Service:

Date:

APPENDIX 6:**Table Summarising Roles and Responsibilities**

	Responsible	Frequency
Update Risk Register	Heads of Service	Ad hoc - depending on project
Advise Insider List requires to be Created	Heads of Service	Ad hoc - depending on project
Create Insider Lists	HoLDS	Ad hoc depending on number of event driven lists which need to be created
Issue Insider Letter advising Members of being on Insider List	HoLDS	Ad hoc - to be issued post election/by-election
Issue Insider Letter advising Employees and ALEOs of obligations of being on Insider List	HoLDS	Ad hoc
Retain Acknowledgement Letter by Employees as per Section 5	HR	Ongoing
Retain Acknowledgement Letter by Members as per Section 5	HoLDS	Ongoing
Update Insider Lists	HoLDS	Monthly
Maintain PDMR List	HoLDS	Monthly
Include any interest in Bonds in Member's Register of Interests	Members	Ad hoc
Include any interest in Bonds in Employees's Register of Interests	Employees	Ad hoc
Induct new Employees on Bond and Credit Rating Awareness and responsibilities if applicable	Line manager	Ad hoc
Approve RNS Announcements	Head of Finance	Ad hoc
Draft RNS Announcements	External and Internal Communications Team	Ad hoc

Version Control

	Date of Issue	Update
Rev 0		
Rev 1	3 Oct 2017	Comments from Comms, Finance and HoLDS added



**Shaping
Aberdeen**

