



# Information on the Swiss Federal Financial Services Act (FinSA)

The Swiss Federal Financial Services Act (FinSA) came into effect on 1 January 2020. This law firstly aims to improve client protection and, secondly, to create comparable regulatory framework conditions for the rendering of certain financial services by various financial services providers (banks, asset managers, etc.).

In this context, the focus is placed on rules of conduct that financial services providers must comply with in relation to their clients when rendering financial services in the field of investment (hereinafter 'financial services'). These supplement the provisions of the Civil Code relevant to the contractual relationship between clients and Basler Kantonalbank (hereinafter 'BKB').

There is a generally applicable two-year transitional period for the FinSA rules of conduct. BKB will comply with the rules of conduct by 1 January 2022 at the very latest.

This FinSA-related document is intended to provide BKB's clients with information on how this new legislation affects BKB's client relationships.

## 1. General information about Basler Kantonalbank

### a) Presentation

Since its foundation in 1899, BKB has been deeply rooted in the Basel region and today operates as a full-service bank in north-western Switzerland. As an advisory bank, it not only serves its clients through a tight-knit network of state-of-the-art branches based in Basel, but also does so through its digital channel, which makes it possible to carry out the main types of business transaction independently of location and time. Financing needs are fully covered by a wide range of products and services. The SME centre's specialists address the concerns of small or medium-sized enterprises. Similarly, a comprehensive portfolio of services for high-net-worth individuals, large corporate clients and institutional investors and other banks can be found at BKB, all from a single source. BKB has been provided with a government guarantee and has an AA+ rating from Standard & Poor's. The BKB Group not only includes Bank Cler, which, being a digital bank with a physical presence in urban areas, is an ideal complement to BKB on the Swiss market, but also Keen Innovation AG – an innovation lab. In terms of total assets, the BKB Group is one of the ten largest Swiss banking groups.

### b) Contact, legal form and regulatory status

BKB's head office is at the following address: Aeschenvorstadt 41, 4051 Basel, Switzerland.

Pursuant to the BKB Act, BKB is organised in the legal form of a public-law entity under the cantonal public law of the Canton of Basel Stadt. It is regulated by the Swiss Financial Market Supervisory Authority (FINMA) with the following postal address:

Swiss Financial Market Supervisory Authority FINMA  
Laupenstrasse 27  
3003 Bern

Further information on how BKB is organised and structured can be found on our website (<https://www.bkb.ch/BaslerKantonalbank/Ueber-uns>).

## 2. BKB's financial services

### a) General information

BKB offers its clients a wide range of financial services. It provides assistance to its clients in achieving their goals. To this end, BKB develops customised concepts and offers comprehensive asset management and investment advisory services for all groups of clients. These include retail private clients, business clients, private banking clients and external asset managers.

### b) Asset management

BKB offers asset management mandates for investments above a certain volume. Asset management is understood to be the management of the client's financial instruments. Clients' personal and financial circumstances, knowledge and experience, as well their needs and investment objectives, form the starting point for this service (suitability review). Working together with the client, BKB defines the most suitable investment strategy in each case. BKB takes investment decisions in line with the defined strategy exclusively in the client's interest.

### c) Investment advice

BKB offers its clients a range of investment advisory services. As is the case with asset management mandates, clients' personal and financial circumstances, knowledge and experience, as well their needs and investment objectives, form the starting point for this service (suitability review). Working together with the



client, BKB defines the most suitable investment strategy in each case. In line with this strategy, BKB provides, pro-actively or at the client's request, recommendations from a wide range of financial instruments and, depending on the scope of services chosen, delivers a range of monitoring services for the client's portfolio while taking the client's specifically chosen investment strategy into account. In contrast to asset management, BKB's investment advisory services mean that clients make each investment decision themselves (including, but not limited to, the purchase or sale of financial instruments).

#### **d) Acceptance and handling of client orders (execution-only transactions)**

In the case of "execution-only transactions", BKB merely carries out the orders to buy or sell investment instruments placed by its clients, without providing any prior advice. No suitability or appropriateness review is performed. This applies both with regard to orders placed by the client in connection with an advisory custody account without advice being provided beforehand by BKB, whether in person or through a digital channel (such as E-banking), or with regard to those orders placed by the client with BKB within the scope of execution-only service offerings. BKB wishes to point out that it is sufficient for BKB to provide the above information, based on the fact that no suitability or appropriateness review will be performed, only once by making this document available.

### **3. Additional information on financial instruments**

The selection of financial instruments within the scope of asset management or investment advice is based on an investment universe predefined by BKB. In order to choose the most suitable financial instrument for the client, BKB takes into consideration products from carefully selected third-party providers in addition to its own products. The client can choose from the various investment strategies on offer. All investment strategies are broadly diversified and differ with regard to the risks and expected returns associated with each one. BKB's product universe essentially comprises the following financial instruments, which are briefly outlined below:

#### **a) Securities**

Securities include standardised certificates, stock rights, derivatives and intermediated securities suitable for mass trading. Securities specifically include equities, bonds and shares in mutual funds.

#### **b) Derivatives**

Derivatives include financial contracts, the prices of which are derived specifically from financial assets (underlying assets), such as equities, bonds, commodities or precious metals or from reference values, such as currencies, interest rates or indices.

#### **c) Structured products**

Structured products are issued by an issuer either publicly or privately. Their redemption value depends on the development of one or more underlying assets. They may have a fixed or unlimited term and may consist of an individual component or several components. The most common types of structured products include capital protection, yield enhancement and participation products, as well as what are referred to as leveraged products.

Further information on financial instruments and the associated risks can be found in the 'Risks Involved in Trading Financial Instruments' published by the Swiss Bankers Association (SBVg) (see also item 9).

### **4. Client segmentation**

In the context of the delivery of financial services, the FinSA gives rise to an obligation to categorise clients. For this reason, BKB assigns its clients to the three categories of 'Private Clients', 'Professional Clients' and 'Institutional Clients'. Under certain circumstances, BKB is required to request information from its clients to enable BKB to perform a mandatory assignment to one of the statutory categories.

The aforementioned client categories essentially differ as follows:

#### **a) Private Clients**

Private Clients are generally deemed to be all clients who are not Professional or Institutional Clients. In contrast to those clients belonging to the two other categories, more extensive client protection regulations are in place with regard to Private Clients. These regulations specifically include duties to provide information and rules of conduct relating to reviewing the suitability and appropriateness, with which a financial services provider must comply.

#### **b) Professional clients**

In addition to regulated financial intermediaries (e.g. banks or regulated asset managers), Professional Clients include insurance companies and central banks, as well as pension providers (namely pension funds), public bodies and enterprises with a professional treasury function, large enterprises (that exceed two of the following thresholds: total assets of CHF 20 million, revenue of CHF 40 million or equity of CHF 2 million) and private investment structures put in place for high-net-worth individuals. Less extensive client protection regulations are in place with regard to Professional Clients than in the case of Private Clients, but these are more extensive than those that need to be complied with vis-à-vis Institutional Clients.

#### **c) Institutional Clients**

Certain Professional Clients are deemed to be Institutional clients and are treated as a separate client category.



These are regulated financial intermediaries (e.g. banks or regulated asset managers), insurance companies, central banks and certain public bodies with a professional treasury function. The clients assigned to this category are subject to the least extensive client protection regulations, as they typically require a reduced level of protection, or no protection, on account of their structure, experience and financial resources.

#### **d) Change in client category**

High-net-worth individuals may declare in writing to BKB their wish to be treated as Professional Clients (opt-out) if they either (i) have assets of at least CHF 500,000 and, due to their personal training and professional experience or due to comparable experience in the financial sector, have the knowledge required to enable them to understand the investment risks or (ii) have assets of at least CHF 2 million at their disposal.

Attributable financial investments are deemed to be bank deposits, certificates, stock rights including securities, collective investment schemes and structured products, derivatives, precious metals, life insurance policies with a surrender value and fiduciary deposits. Non-attributable financial investments are specifically deemed to be direct investments in real estate and social security entitlements or occupational pension credits.

Professional Clients (who are not Institutional Clients) may declare that they wish to be treated as Private Clients with regard to their business relationship with BKB (opting-in).

Institutional Clients may declare that they wish to be treated only as Professional Clients.

Your client advisor will be happy to explain the exact details and consequences of any change in client category.

#### **e) Interaction of client categorisation pursuant to FinSA and CISA**

Along with the FinSA, amendments were also made to the Swiss Collective Investment Schemes Act (hereinafter 'CISA'). Consequently, the only new additions to the CISA are product-specific provisions in connection with collective investment schemes. The FinSA contains new rules of conduct that must be complied with in respect of the client. This also affects the provisions on the classification of clients as non-qualified or qualified investors pursuant to the CISA, which make reference to the FinSA definitions for client segmentation for such purposes.

Clients, who have entered into a written agreement on a long-term investment advisory or asset management relationship with BKB, will be deemed qualified clients as defined by the CISA. Such a classification gives rise to additional opportunities but, at the same time, also to

additional risks. Classification as a qualified investor makes it possible to purchase financial instruments with higher levels of risk. For example, an investment advisory or asset management relationship makes it possible for qualified clients to also buy into foreign collective investment schemes or structured products that entail higher risk. A client wishing to waive the status of 'qualified investor' must make the corresponding declaration in writing. The associated classification as a non-qualified investor means, however, that any investments reserved exclusively to qualified clients must be sold. In the event of such a waiver, BKB additionally reserves the right to terminate the investment advisory or asset management relationship.

#### **5. Suitability and appropriateness review**

In the case of asset management and investment advisory services, financial services providers are required under the FinSA to only perform an appropriateness review in certain cases. The review is based specifically on the details provided to BKB by the client. The scope and nature of the information required depend – as does the scope of the review to be performed – on the client's allocation to a certain client category (see item 4). Consequently, no appropriateness or suitability review is required by law in the case of Institutional Clients, while in the case of Professional Clients only their investment objectives need to be recorded. BKB reserves the right, at its own discretion, to deviate from simplifications provided by law in the review of appropriateness or suitability and to then perform such a review together with the client if this is not required by the FinSA. Alternately, the client can waive, or has waived, such a review in full or in part. By doing so, BKB takes into account the fact that the provisions of Swiss civil law, namely contract law, are applicable to the contractual relationship to its clients in addition to the provisions of the FinSA.

#### **a) Appropriateness review**

In order to allow BKB to act in the best interest of its clients, a review is performed of each client's individual knowledge and experience depending on the category to which the client is allocated. Therefore, BKB performs an appropriateness review prior to delivering any investment advisory services or taking on an asset management mandate – in most cases in conjunction with a suitability review (for more details see b)). An assessment is made of the Client's knowledge and experience as to whether the financial instruments forming the subject matter of an investment advisory service or an asset management mandate are appropriate for the client. A financial instrument is deemed appropriate if the client understands how it operates and the consequences of its purchase. If a client does not yet have sufficient knowledge or experience with regard to certain financial instruments, BKB will provide the client with the corresponding information.



If BKB comes to the conclusion that a financial instrument is not appropriate for the client, BKB shall inform the client of this decision.

If the information received by BKB from the client is not sufficient to perform an appropriateness review, BKB shall point this out to the client prior to executing a corresponding transaction. In such a case, the client shall bear sole responsibility for the transaction.

#### **b) Suitability review**

Prior to delivering investment advisory services relating to a client portfolio or prior to the conclusion of or implementation of an asset management mandate, BKB shall review whether the desired or recommended financial service or the financial instruments to be used are suitable for that client. For this purpose, BKB shall inquire about the client's individual knowledge and experience, financial situation (specifically relating to assets, the origin and amount of any regular income and any obligations) and investment objectives (details on time horizon and purpose of the desired investment, risk capacity and risk appetite and any investment restrictions).

Taking account of the client's knowledge and experience and personal investment objectives and financial circumstances, BKB works with the client to define one or more investment strategies. This strategy/these strategies form the basis for the asset management mandate or an investment advisory mandate.

If BKB comes to the conclusion that a financial instrument is not appropriate for the client, BKB shall inform the client of this decision.

If the information received by BKB from the client is not sufficient to perform a suitability review, BKB will point this out to the client prior to delivering a corresponding service, namely executing a transaction. In such a case, the client shall bear sole responsibility for the transaction.

### **6. Prices and fees**

BKB charges fees for its financial services. These depend on the nature and scope of the financial services. The corresponding price overviews can be found on BKB's website. Your client advisor will be happy to provide you with more detailed information.

### **7. Execution of client orders**

In order to meet the requirements for the best possible transparency towards clients in the execution of client orders for the purchase or sale of financial instruments, financial services providers must to comply with or define certain principles.

BKB ensures that the best possible result is achieved with regard to financial outcome, timing and quality in the execution of client orders (known as 'best execution'). With regard to financial outcome, it is not only the price for the respective financial instrument that is taken into consideration, but also the costs associated with execution of the order and remuneration from third parties.

The principles are set out in a 'Best Execution' policy. This document is available on the website.

## **8. Organisational measures**

### **a) Conflicts of interest**

As a financial services provider, BKB must take appropriate organisational measures to avoid as far as possible any conflicts of interest that may arise in the delivery of financial services or to rule out any disadvantages to its customers, should it not be possible to completely avoid a conflict of interest. BKB takes account of these requirements. Such guidelines may include, but are not limited to, the following: the internal exchange of information between employees, the functional and organisational separation of units within BKB, general market conduct rules, the remuneration policy and guidelines on employee transactions.

If disadvantages to customers cannot be ruled out, or only at disproportionate expense, BKB shall disclose this fact in a suitable manner, if necessary in a general form. The relevant information is published on BKB's website.

### **b) Information on economic links**

If any economic links in connection with the rendering of a financial service might lead to a conflict of interest, BKB shall notify clients of this. The relevant information is published on BKB's website.

### **c) Third-party payments**

BKB may receive financial and non-financial compensation from providers of financial instruments for the distribution and/or custody of financial instruments (third-party payments).

BKB discloses the subject matter and percentage ranges of possible third-party payments in the "Third-party payments" information sheet. The information sheet is an integral part of the Safe custody regulations. The relevant current version is available on the website of BKB and can also be obtained from it.

In accordance with the corresponding provision in the Safe custody regulations, the Client acknowledges and agrees that BKB will retain third-party payments it receives. He waives surrender of the same in the knowledge of the third-party payments pursuant to the information



sheet. Individual agreements deviating from this, such as in investment advice agreement or asset management contracts, take precedence.

#### **9. Risks inherent in trading with financial instruments**

Trading with financial instruments involves financial risks. These risks can vary greatly depending on the financial instrument. To provide information on which types of financial instrument exist and the risks associated with each one, BKB makes 'Risks Involved in Trading Financial Instruments' published by the Swiss Bankers Association (hereinafter 'SBVg') available to its clients. BKB further provides additional information brochures and fact sheets on how the financial instruments belonging to the various product classes work and the risks involved (such as equities, bonds, structured products, etc.).

The SBVg's brochure can be downloaded at [www.bkb.ch](http://www.bkb.ch).

#### **10. Complaint management and ombudsman**

If BKB rejects a claim asserted by a client, the client is entitled to initiate a mediation procedure with the Swiss Banking Ombudsman, Bahnhofplatz 9, P.O. Box, CH-8021 Zurich ([www.bankingombusman.ch](http://www.bankingombusman.ch)). This procedure is free of charge for the client concern and is intended to settle the dispute by conciliation between the parties.