

## **INFORMATION DOCUMENT - FINANCIAL SERVICES ACT (FinSA)**

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## **INFORMATION DOCUMENT**

This Information document, addressed to clients or potential clients of PKB Private Bank SA (hereinafter PKB or the Bank) who use or will use the financial services offered by the Bank, has been drawn up in accordance with the provisions of the Financial Services Act (hereinafter FinSA). The purpose of this Document is to provide information on the Bank and the financial services it offers, as well as on the general risks associated with financial instruments and on the policy of the Bank regarding conflicts of interest.

A current copy of this document is available at <https://www.pkb.ch/legal> or at the Bank's offices.

It should also be noted that this Document has no regulatory value and does not constitute a solicitation or offer of financial services, nor a recommendation to buy or sell financial products.

### **1. GENERAL INFORMATION**

PKB Private Bank SA (PKB) is a bank established under Swiss law, subject to the Swiss Federal Act on Banks and Savings Banks (Banking Act - BA), authorised to provide banking and financial services.

PKB is subject to the supervision of the Swiss Financial Market Supervisory Authority (FINMA), the competent authority in Switzerland.

The contractual relationship with the client is therefore governed exclusively by Swiss law.

Commercial register of canton Ticino registration number: CHE-105.839.708

### **CONTACTS**

#### **PKB Private Bank SA**

##### **Lugano Registered Office**

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Telephone: +41 91 913 35 35  
Fax: +41 91 923 35 22

##### **Geneva Branch**

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**Website:** [www.pkb.ch](http://www.pkb.ch)

**Federal Supervisory Authority**  
Swiss Financial Market Supervisory Authority FINMA  
Laupenstrasse 27  
3003 Bern  
+41 (0)31-327 91 00

### **Guarantee of deposits**

The Bank is a member of the esisuisse self-regulatory deposit insurance scheme pursuant to Art. 37h et seq. BA. The amount of the guarantee is CHF 100'000 per client. For further information, please refer to the explanatory document available on the esisuisse website: [https://www.esisuisse.ch/media/flyer\\_e\\_final\\_2020.pdf](https://www.esisuisse.ch/media/flyer_e_final_2020.pdf)

## **2. MEDIATION PROCEDURE**

In the event of any dispute, the Client may contact his relevant advisor in person or may apply in writing to the Bank's legal department (Legal & Compliance Department) at PKB's registered office address. The Bank will provide a reply within a reasonable time frame.

In the event that no agreement is reached or agreed upon, the client can turn to the Swiss Banking Ombudsman, the competent mediation body for our bank and which acts neutrally and free of charge. The client may address the Ombudsman in an official Swiss language or in English.

### **Swiss Banking Ombudsman**

Bahnhofplatz 9  
P.O. box  
8021 Zurich  
Telephone (08.30 - 11.30 h):  
+41 43 266 14 14 German / English  
+41 21 311 29 83 French / Italian  
[www.bankingombudsman.ch/en/](http://www.bankingombudsman.ch/en/)

## **3. FINANCIAL SERVICES OF PKB PRIVATE BANK SA**

PKB Private Bank SA offers to its clients a wide range of financial services and supports them in achieving their objectives. To this end, it offers personalised solutions in the field of asset management and investment advisory services to all categories of clients, including retail clients, commercial clients, private banking clients and independent asset managers.

### **a) Asset management**

Upon request, the Bank provides asset management mandates above a certain investment volume. Asset management refers to the management of clients' financial instruments, taking as a starting point the client's personal and financial situation, knowledge and experience as well as the clients' investment needs and objectives (suitability check). Based on the stated investment strategy, the Bank makes the necessary investment decisions in accordance with the defined strategy and in the interest of the client in question.

b) **Investment advice**

PKB Private Bank SA offers to clients who so request an investment advisory mandate that considers the client's entire portfolio. As in the case of asset management mandates, the bank takes into account the client's personal and financial situation, knowledge and experience as well as the client's investment needs and objectives (suitability check). Based on the stated investment strategy, the Bank makes a series of recommendations on its own initiative or at the client's request, based on the defined level of performance and in particular from the point of view of the investment strategy chosen by the client. Contrary to asset management, in the context of investment advisory services, clients make their own investment decisions.

In addition, PKB Private Bank SA offers clients who request it, an investment advisory mandate for specific transactions without considering the entire portfolio ("transactional advisory"). In this case, the Bank inquires about the client's knowledge and experience and, before recommending a financial instrument, verifies whether it is appropriate for the client (appropriateness check). On the basis of this, the Bank makes recommendations for specific transactions on its own initiative, which the client may decide whether or not to implement by sending the relevant order to purchase or sell financial instruments to the Bank.

c) **Acceptance and execution of client orders without mandate (execution only)**

Within the framework of what is known as "execution only" activity, PKB Private Bank SA limits itself to executing orders for the purchase or sale of financial instruments given by the client or by an external manager trusted by the latter, without providing prior advisory services and without any checks on suitability or appropriateness. In the case of a mandate given to an external asset manager (EAM), PKB Private Bank SA will not carry out any supervisory activity on the EAM and the suitability or appropriateness checks will be carried out by the external manager.

d) **Lombard Loan**

An asset management or advisory client or a client managed by an external asset manager may apply for a Lombard loan in order to increase the volume of his investments. Due to its leverage effect, the Lombard loan significantly increases the risks in the event of a decline in stock market prices. The client acknowledges that in such a case the Bank may require additional contributions to ensure a sufficient level of collateral or sell positions to cope with the downturn. In this respect, the Lombard loan places the Bank, taking on both management or advisory tasks and granting Lombard loans in a conflict situation in which it will have to give priority to its own interests lender.

#### **4. ASSESSMENT OF SUITABILITY AND APPROPRIATENESS**

In the field of asset management and investment advice, financial service providers are required under the FinSA to carry out a suitability check or, in certain specific cases, only a suitability check. The verification is based on the data acquired through the customer's risk profile. The extent and type of information required - as well as the scope of the check to be carried out - depend on the classification of the client (see point 4); for example, no suitability or appropriateness check is required for institutional clients, whereas the only data to be collected for professional clients relates to their investment objectives as the knowledge and experience are assumed. PKB reserves the right, at its own discretion, to make exceptions to the provisions of the law regarding the verification of suitability and/or appropriateness and to carry out such verification even if not required by the FinSA.

##### **a) Verification of suitability**

Within the framework of its investment advisory services in respect of a client's portfolio and an asset management mandate, PKB checks whether the financial service or the financial instruments to be used are suitable for the client. To this end PKB collects the necessary information by means of the Risk Profile form:

- knowledge and experience of investment classes;
- investment objectives, including the investment time horizon; and
- financial situation, including financial risk tolerance and risk appetite.

Based on the Risk Profile, a risk appetite will be defined which determines the choice of investment strategy for the discretionary or advisory mandate given by the Client. Possible discrepancies between the client's risk appetite and the relative choice of the investment profile will be discussed between the client and the trusted Advisor.

##### **b) Verification of appropriateness**

A financial instrument is deemed appropriate if the client understands its nature and the risks associated with the purchase of the financial instrument. If the client does not yet have sufficient knowledge and experience of certain financial instruments, PKB shall provide the necessary clarifications by means of the relevant booklets. If the information provided by PKB's client is not sufficient to carry out an appropriateness check, the institution will notify the client before executing a transaction requiring this type of check, in which case the transaction will be deemed as execution only and the responsibility will be borne entirely by the client.

## **5. CLIENT SEGMENTATION**

The FinSA provides that clients of financial services providers are classified into the following categories: i) retail clients, ii) professional clients and iii) institutional clients.

### **RETAIL CLIENTS**

Retail clients are all clients who are not professional clients. PKB therefore classifies its clients as retail clients unless they have been informed otherwise. The highest level of investor protection applies to retail clients.

### **PROFESSIONAL CLIENT**

Professional clients enjoy a lower level of protection than retail clients, since they are considered to be able to understand the risks associated with transactions in financial instruments, as well as to financially bear the consequences.. Professional clients also have access to a wider universe of investment products, including products intended exclusively for qualified clients under the Collective Investment Schemes Act (CISA).

The following categories are defined as professional clients by law:

- financial intermediaries as defined by the Banking Act (BA), the Financial Institutions Act (FinIA) and the Collective Investment Schemes Act (CISA);
- insurance companies as defined in the Insurance Supervision Act (ISA);
- foreign clients subject to prudential supervision;
- central banks;
- public entities with professional treasury operations;
- Pension schemes and institutions dedicated to occupational pensions schemes with professional treasury operations;
- companies with professional treasury operations;
- highly capitalised companies; and
- private investment structures with professional treasury operations for high-net-worth retail clients.

### **INSTITUTIONAL CLIENTS**

Institutional clients include a sub-category of professional clients (financial intermediaries, insurance companies within the meaning of the Insurance Supervision Act, foreign clients subject to prudential supervision, central banks), as well as national or supranational public-law bodies with professional treasury operations. In the case of institutional clients, the rules of conduct set out in the FinSA do not apply.

Depending on the client category, different levels of protection are applied (e.g. in terms of suitability and appropriateness testing or reporting requirements).

	RETAIL CLIENTS	PROFESSIONAL CLIENTS	INSTITUTIONAL CLIENTS
<b>Appropriateness checks in the case of transactional advisory mandate (advisory without taking into account the whole portfolio)</b>	YES	NO	NO
<b>Suitability checks in the case of advisory taking into account the whole portfolio and management mandates</b>	YES	INVESTMENT OBJECTIVES ONLY <sup>1</sup>	NO
<b>Suitability / appropriateness checks in the case of «execution only» transactions</b>	NO	NO	NO
<b>Making the product information document (e.g. KIID) available prior to the recommended transaction.</b>	YES (for transaction in execution only, only if available)	NO (except on client request)	NO (except on client request)
<b>Orders are executed in the best possible way (best execution)</b>	YES	YES	NO

<sup>1</sup>For professional clients, it is assumed that they possess the necessary knowledge and experience and that the risks are financially sustainable.

### OPTING-OUT and OPTING-IN

The FinSA provides that high-net-worth retail clients may apply to be classified as professional clients (opting out) if either of the following two conditions is met:

- The client directly or indirectly holds a net worth<sup>1</sup> of at least CHF 500,000 (five hundred thousand Swiss francs) or equivalent, and the client or the client's representative has the necessary knowledge and experience to understand the risks associated with transactions in financial instruments.
- The client directly or indirectly holds net assets<sup>2</sup> of at least CHF 2,000,000 (two million Swiss francs) or equivalent.

Once the classification as a professional client has been established, the client will have the right to request, at any time, to be reclassified as a retail client (opting-in).

The FinSA also provides that professional and institutional clients may request to be classified as retail and professional clients respectively (opting-in).

<sup>1</sup> The net assets are calculated, in particular, from bank balances, fiduciary deposits, securities, derivatives, precious metals and life insurance policies with a surrender value. Direct investments in real estate, social insurance claims and assets from occupational pension schemes are not considered financial investments.

It is not possible to request the opting-out with reference to individual services or classes of financial products only, as the opting-out applies to the entire range of products and services offered by PKB.

A retail client who grants a management or advisory mandate is automatically considered to be a qualified investor as defined by CISA unless he asks in written form to remain non-qualified. The Professional Client per se or by opting out under the FinSA is also considered to be a qualified client under CISA.

## **6. RISK INFORMATION**

Financial services and transactions with financial instruments present opportunities but also involve risks. Before using a financial service or subscribing to a financial instrument, it is therefore necessary to consider the associated risks.

The Swiss Bankers Association brochure "Risks Involved in Trading Financial Instruments" provides general information on typical financial services and the characteristics and risks of financial instruments.

The brochure can be obtained from the advisor or is available on the Bank's website ([www.pkb.ch](http://www.pkb.ch)).

## **7. PRODUCT INFORMATION**

As provided for by the FinSA, if financial instruments other than shares and bonds are subscribed to, the key information document must be made available to the retail client, this for "execution only" transactions also only if it is available, i.e. if it can be found with a proportionate effort.

The key information document provides simplified information on the characteristics, risks and costs of the product and allows you to compare the recommended product with other instruments.

The Bank will make the key information document available to retail clients if they are provided by an issuer. The client may request their advisor to provide them with a hard copy.

## **8. BEST EXECUTION**

Best execution means the obligation to take all necessary measures to achieve the best possible result for the client in financial instrument transactions in financial, time and quality terms. If the client or his independent asset manager gives specific instructions for the execution of an order, the Bank is not obligated to provide best execution in relation to this specific explicit instruction.

## BEST EXECUTION FACTORS

PKB Private Bank SA takes into consideration the following execution factors to determine the best possible outcome for its clients:

- **price** - the price of an executed transaction in a financial instrument;
- **cost** - this includes implicit costs, such as the possible impact on the market and explicit external costs, such as the costs of the place of execution or clearing and calculation fees as well as explicit internal costs (PKB Private Bank SA's own fees and expenses);
- **speed** - the time it takes to perform a client transaction;
- **certainty of execution and settlement** - the probability that PKB Private Bank SA will be able to conclude a transaction with the client;
- **volume** - the volume of the transaction executed for a client, taking into account how this may affect the execution price;
- **nature of the transaction** or any other consideration relevant to the execution of the transaction (such as market impact) - this is how the particular characteristics of a client transaction may affect the achievement of best execution.

As a rule, the price of the financial instrument and the costs related to the execution of the order (total consideration) are of the utmost importance to achieve the best possible result. However, the overall result of a particular transaction for a client may be influenced by other factors. PKB Private Bank SA may therefore, in specific cases, attach greater importance to other execution factors than to price and cost.

## **9. CONFLICTS OF INTEREST**

Conflicts of interest can occur when the interests of the client and the Bank are opposed. If not mitigated they can result in a financial disadvantage to the client.

The following is a non-exhaustive list of situations in which conflicts of interest may arise:

- the Bank's own interest arising from the sale and trading of financial instruments, including instruments issued by a PKB Group entity (for a detailed list, cfr.: <https://www.pkb.ch/gruppo-pkb.html>, hereafter "Entity Group"), or trading in instruments for its own account;
- receipt of an indemnity from a third party (for details of indemnities see section "Third Party Indemnities");
- accumulation of investment services that may conflict, such as the assumption of management or advisory mandates and the granting of Lombard loans;
- performance-based compensation of employees and compensation paid to intermediaries (where applicable and permitted).

PKB undertakes to correctly identify potential conflicts of interest in order to manage them. PKB therefore has procedural rules that define the minimum standards to which employees must continuously adhere. Organisational measures have also been implemented to identify, avoid and mitigate conflicts of interest, such as for example

- procedures to protect the interests of clients (e.g. information barriers, segregation of responsibilities);
- rules regarding the acceptance/offer of gifts or entertainment,
- rules regarding transactions on employees' accounts
- approval and review process for external mandates

If the measures taken are not able to avoid situations that place the client at a disadvantage, or only with disproportionate effort, the Bank will endeavour to inform the client in an appropriate manner of the existence of the conflict.

## **10. THIRD-PARTY INDEMNITY**

As part of the provision of financial services, PKB may receive an advantage from a third party (e.g. fund managers, Group companies) other than the client. These advantages do not include expenses paid directly by or on behalf of the client.

Whether as part of the execution of an asset management mandate or an advisory service, the Bank may use instruments for which it receives a fee.

The amount of the indemnity may depend on the instrument, the volume of investment as well as the provider.

Since the indemnities may involve potential conflicts of interest, their receipt and payment are strictly regulated. The client shall be informed accordingly and expressly accepts that PKB will receive such indemnities, failing which PKB shall be obliged to pay them to the client.

### **DISCLAIMER**

*This brochure has been created exclusively for clients or prospects of PKB Private Bank SA in accordance with the legal requirements of the FinSA and therefore none of its contents represent an investment service.*

*PKB Private Bank SA does not assume any responsibility for the completeness or correctness of the contents of this information document as there may have been modifications after its publication. The General Conditions of the Bank remain applicable as well as any agreement concluded between the client and PKB Private Bank SA.*

*Version November 2022*