

Swiss Code of Conduct for Independent Asset Management



Verband Schweizerischer Vermögensverwalter | VSV
Association Suisse des Gérants de Fortune | ASG
Associazione Svizzera di Gestori di Patrimoni | ASG
Swiss Association of Asset Managers | SAAM

Document properties

Type of Document	Unofficial translation (only the German, French and Italian version are legally binding)
Status	December 2013

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Art. 1

Preamble

- In striving to uphold and improve the reputation of the profession of Swiss independent asset managers in Switzerland and abroad,
- in order to effectively contribute to the protection of investors,
- and to the integrity of the capital markets;
- and with the intention of making an effective contribution to the combat against money laundering and terrorism financing,

the Swiss Association of Asset Managers (SAAM), as the industry association charged with safeguarding the interests and reputation of the profession, has issued this following code of conduct.

This code of conduct does not affect the duty of confidentiality in any way. It cannot and does not intend to

- incorporate foreign-exchange, fiscal and commercial legislation of other countries into Swiss law or deem said legislation binding for independent asset managers (to the extent that this has not already occurred as the result of any applicable international treaties or Swiss law);
- circumvent current judicial practice in the area of international law;
- amend existing relationships under civil law between members and clients.

This code of conduct sets out, with binding effect, the rules applicable to ethical business conduct, and defines principles of professionalism for independent asset managers.

This code of conduct has been recognised by the Swiss Financial Market Supervisory Authority (FINMA) as a code of conduct within the meaning of Art. 6 CISO¹. Securities dealers and asset managers of collective investment schemes may apply this code of conduct as a self-regulatory minimum standard recognised by FINMA in the realm of individual asset management.

¹ Reference relates to Art. 3 para. 2 (c) CISA as amended on 1 June 2013.

Art. 2

Scope

The scope of this code of conduct for the members of the Swiss Association of Asset Managers (SAAM) shall be determined in accordance with the organisation's articles of association.

This code of conduct shall apply to those members subject to direct supervision by the regulatory authority, insofar as the laws and regulations applicable to these members do not impose any further obligations.

If asset managers that are not affiliated with the Swiss Association of Asset Managers (SAAM) refer to this code of conduct, they must comply with its content in all aspects. Their compliance must be subject to an appropriate system of controls and sanctions. Furthermore, these asset managers are not permitted to indicate that they belong to or are affiliated with SAAM in any way.

In material terms, this code of conduct shall apply to the provision of financial services, i.e. asset management, investment advisory and financial planning.

Art. 3

Independence of asset management

The independent asset manager practices his profession autonomously and in an ethically responsible manner. In his professional activities, he commits himself to his duties as advisor to his clients in all financial and wealth-related matters. In doing so, he acknowledges the significant impact his actions may have on the economic situation of his clients.

The independent asset manager shall safeguard the interests of his clients in accordance with this Code of Conduct.

Implementing provisions

- 1 Asset managers shall be deemed to be independent if they are free to determine with their clients the investments they make and investment policy they pursue in providing their services. This is also the case if a third party holds a majority shareholding. With the exception of group companies coordinating with each other

in a transparent manner, in the interest of their clients independent asset managers may not be bound by exclusivity agreements when offering and providing their services and financial products.

2 The independence of asset management requires that

- transactions be carried out in the interests of clients, and in particular that churning be avoided;
- transactions that may give rise to a conflict of interest between the asset manager and the client be carried out in such a manner that the client is not disadvantaged in any way;
- the asset manager take organisational measures that are appropriate for the size and structure of his business to avoid conflicts of interest, such as the segregation of duties, setting up Chinese walls (limiting internal flow of information) and other measures, i.e. with respect to the compensation paid to personnel performing asset management duties;
- any conflicts of interest that cannot be prevented by means of appropriate organisational measures be disclosed to clients.

3 With respect to dealings on own account of the asset manager and/or his employees who are aware of the transactions planned or executed on behalf of clients, the asset manager shall issue appropriate directives to prevent pecuniary gains from being obtained through improper conduct (see implementing provision no. 9). In general, the asset manager may permit transactions that, based on volume, are a priori not price-sensitive.

4 The asset manager shall recommend banks and securities dealers to his client that provide assurance of best possible execution in terms of price, time and quantity as well as an appropriate level of creditworthiness.

5 Furthermore, the independence of asset management requires that

- specialist advice be sought for investment strategies and transactions requiring specialist knowledge;
- when selecting an investment policy, the overall financial situation of the client is taken into account to ensure suitable advice. Con-

sequently, the asset manager must obtain information from the client with regards to his investment requirements, appetite and tolerance for risk to establish a risk profile. The asset manager shall produce a risk profile on the basis of the gathered information and carry out periodic reviews as to its accuracy or whenever changes occur. If substantial changes to the risk profile of the client are noted, the asset manager must make a written record of this, inform the client and produce a new or amended risk profile.

If clients do not wish to disclose information on their overall financial situations, the potential risks resulting from this lack of information must be explained to them in an appropriate manner. Art. 6 shall apply *mutatis mutandis*.

Art. 4

Safeguarding and promotion of market integrity

The independent asset manager shall acknowledge the importance of the integrity and transparency of the financial markets. As a market participant, he shall act in good faith and refrain from any actions that may prevent prices from being determined in a manner that is transparent and in line with market practice. He shall neither make any investments nor engage in any activities that may result in the improper manipulation of prices.

Implementing provisions:

- 6 Securities transactions must be carried out by the independent asset manager on the basis of information that is accessible or has been released to the public, or any other information derived therefrom. All other information must be considered confidential. Confidential, price-sensitive information may not be exploited in any manner.

Information is deemed to be

price-sensitive if it is likely to have a significant effect on the market price or the valuation of the securities in question;

accessible to the public if it has been released in the media or via a source of information that is commonplace in the financial sector;

released if it has been passed on to a third party by the issuer with the intention of making it accessible to the public.

- 7 The asset manager shall only distribute price-sensitive information if he is convinced in good faith that the information is correct.

An asset manager who regularly releases financial analyses and investment recommendations relating to specific securities, shall not carry out transactions involving the securities in question (including derivatives) for his own account or for the account of clients with whom a discretionary asset management mandate is in place, during the period from when he begins work on a financial analysis or investment recommendation earmarked for publication until this information has been published.

Financial analyses and investment recommendations are classified, as are any publications containing recommendations to carry out transactions involving certain securities based on observations and assessments of corporate data and information on specific issuers. Publications based on purely chart-technical analyses or that focus on entire sectors/countries rather than specific issuers are not deemed to be financial analyses.

- 8 The asset manager may not take advantage of client orders by carrying out transactions for his own account beforehand, while the client order is being executed or directly afterwards (front, parallel or after-running). Client orders also include transactions that are carried out under a discretionary asset management mandate. The client's option to give his express consent allowing the asset manager to act to the contrary is reserved.

- 9 Securities transactions for the account of the asset manager or for the account of a third party must have an economic rationale and correspond to a real supply and demand pattern. Fictitious transactions are not permitted, in particular those intended to distort or manipulate liquidity or prices.

- 10 The asset manager shall inform his clients of the obligation to disclose investments in shares in accordance with the Federal Stock Exchange Act, insofar as he has reason to believe that such an obligation would arise in relation to the assets he manages.

An asset manager who, based on discretionary asset management mandates, has the power to exercise voting rights on behalf of clients shall comply with disclosure obligations in accord-

ance with the Federal Stock Exchange Act. The powers of attorney granted to him as well as his duties under the individual asset management agreement are decisive when determining the number of voting rights the asset manager can exercise.

If the asset manager conceals the exercise of voting rights of clients without being authorised himself to exercise these rights, he shall be responsible for fulfilling the disclosure obligations.

Art. 5

Assurance of proper business conduct

The independent asset manager shall ensure that all persons charged with providing services to clients meet the professional and character requirements needed to fulfil their duties. Members must ensure that their business activities are organised in an appropriate manner.

The independent asset manager shall keep his business' finances in good order.

In carrying out his business activities, he shall endeavour to actively prevent and combat money laundering and terrorism financing.

Implementing provisions:

- 11 The asset manager's firm must be organised in a way that is appropriate to the size of his business operations and the risks generated for his clients (assets under management, investment strategies implemented and products selected), to ensure the smooth functioning of the financial markets and safeguard the reputation of the profession and the Swiss financial centre.

The asset manager shall ensure that the investments made are and remain consistent with the risk profile, the asset management agreement and any instructions from the client that may deviate from these. Insofar as is permitted by the investment strategies, asset managers shall ensure that risks are diversified appropriately.

- 12 The asset manager shall take appropriate steps to ensure the continuity of his services to his clients. If there is no suitable deputy within a firm to take over the activities of an individual asset

manager in the event of death or incapacity to work, the services of another asset manager or bank to perform these activities and inform clients of the measures taken must be secured.

- 13 The asset manager shall manage assets held at banks based on a power of attorney limited to asset management activities.

If he has been instructed by the client to provide other services that require more wide-ranging powers to represent the client, the asset manager shall document the basic arrangements and the performance of these activities.

This does not apply to activities as a member of a corporate body of corporations or legally independent special purpose funds (particularly foundations) and as a trustee.

- 14 The asset manager is personally responsible for ensuring that he and his employees receive ongoing training with respect to all areas of their professional activities by attending training and education seminars and carrying out self-study. He shall comply with the specific provisions on training in the areas of preventing and combating money laundering and terrorism financing.

- 15 The independent asset manager is subject to the specific provisions issued by the relevant supervisory authority or recognised self-regulatory organisation regarding the prevention and combating of money laundering and the financing of terrorism.

In this respect, active members of SAAM affiliated with the association's self-regulatory organisation shall abide to the Regulation for Prevention and Combating of Money Laundering and Terrorism Financing.

- 16 The asset manager shall observe the following principles when retaining the services of another company (the "service provider") to perform business-critical or important services on his behalf ("outsourcing of business activities") on an on-going basis:

- The outsourcing of business activities must be in the interest of the clients.
- The service provider must be selected, instructed and monitored with diligence. The choice of service provider must have been made having taken into account and verified its ability to perform the required services. The service provider must offer appropriate

assurances with respect to reliability and continuity of the services offered.

- The asset manager shall bear ultimate responsibility for the outsourced services.
- In accordance with Art. 8 and the related implementation provisions, compliance with the duty of confidentiality must to be guaranteed.
- The outsourcing process must be governed by written agreements that clearly define the tasks to be carried out by service providers.
- When auditing or otherwise verifying compliance with this code of conduct, the auditor or controller shall be given access to the documentation and technical systems of the service provider.

In particular, the term "outsourcing of business activities" shall extend to:

- a) Client relationship management carried out by third companies and individuals (namely freelancers and agents);
- b) Delegation of management of client assets by issuing substitute powers of attorney;
- c) Outsourcing of financial analysis services and the preparation of investment proposals and model portfolios to a single service provider;
- d) Performance of compliance duties, i.e. with respect to the prevention and combating of money laundering and terrorism financing;
- e) Outsourcing of data processing and storage systems containing client data (e.g. external management of client databases and information systems related to client assets or order transfer systems managed by third parties);
- f) Subject to provisions to the contrary within the applicable regulations on prevention of money laundering and terrorism financing, the storage of physical documentation at premises that are neither owned by the asset manager nor rented by him.

When outsourcing activities listed in a), b) or c) above, the service provider must be subject to a code of conduct that is substantially equivalent to the code of conduct applicable to the asset managers.

Not considered as "outsourcing of business activities" are:

- a) The asset manager's financial accounting;
- b) The establishment and operation of branches of the asset manager in Switzerland and abroad;
- c) Consulting experts on the individual structuring of portfolios and with respect to legal and tax matters;
- d) The use of data processing systems at banks that hold client assets in order to execute and monitor orders, to monitor the assets held for safekeeping, as well as a source of other financial information;
- e) The hosting of websites that do not contain client-related data;
- f) The maintenance (including remote maintenance) of internal data processing systems.

When outsourcing business activities, securities dealers shall comply with FINMA Circular 08/7 on the outsourcing of business activities for banks; fund management companies and SICAV's with the FINMA Circular 08/37 on the outsourcing of business activities for banks by fund management companies/SICAV's.

- 17 The asset manager shall comply with the applicable statutory accounting rules. He shall provide his business with adequate financial resources and inject additional funds to cover adverse balances within a reasonable period of time.
- 18 The asset manager shall document the transactions he carries out in such a way that competent authorities and self-regulating organisations or auditors appointed by them can assess compliance with the provisions of this code of conduct.

Art. 6 Duty to inform

The asset manager has the duty to inform his clients with respect to the following:

- a) the company and services offered, including the licences to provide these services;
- b) the specific risks associated with the services to be rendered;
- c) the fees he receives, including any benefits of pecuniary value from third parties.

Implementing provisions:

- 19 The asset manager fulfils his duty to inform in accordance with the degree of business experience and specific knowledge of the client. In all cases, the asset manager must inform the client of the investment strategy to be implemented on the basis of the risk profile and shall involve the client in the definition of the investment strategy, taking into consideration the experience and instructions of the client. The asset manager shall periodically review the implemented investment strategy and the basis thereof, and inform the client of any changes.

In the case of professional clients, the asset manager may assume that these clients have sufficient knowledge regarding the information referred to in Art. 6 a) and b).

Professional clients include banks, securities dealers, fund management companies, insurance companies, public sector entities, pension funds and other legal entities with professional treasury operations.

- 20 When entering into a business relationship, the asset manager shall inform his clients about his firm, its, domicile, the means of communication the client may use when contacting the asset manager as well as on the regulations (including rules of business conduct) that apply to the asset manager. He shall inform his clients on the services offered and the fundamental characteristics of these services (e.g. discretionary management of assets held at banks, investment advisement, distribution of financial products, and selection of counterparties to carry out securities transactions).

The asset manager shall inform the clients if he intends to outsource specific or all asset management duties by means of issuing substitute powers to third parties.

He shall inform clients of any changes to this information and of any significant personnel changes or changes to the operating or legal structure of the organisation as well as of changes of ownership if these changes may directly affect the client.

- 21 Where marketing messages are not clearly identifiable as such, the asset manager shall clearly designate them as such.
- 22 When explaining the risks associated with the services provided, the asset manager may gen-

erally assume that all clients are aware of the risks commonly associated with purchasing, selling and holding securities. In particular, this includes credit and price risks for equities, bonds and collective investment schemes that invest in these securities. The duty to inform thus covers risk factors going beyond these general risk factors and are inherent in transactions with increased risk potential (e.g. derivatives, securities lending) or associated with complex risk profiles (e.g. structured products).

For types of transaction where the risk potential exceeds that usually associated with the purchase, sale and holding of securities, the asset manager may comply with his duty to inform on a standardised (e.g. by providing risk disclosure documents) or individual basis. If the client has already been provided with respective risk information by the custodian bank, the asset manager is not required to repeat such risk disclosure.

In fulfilling the duty to inform on risks on an individualised basis, the asset manager must establish the client's business and investment experience with the requisite level of care and base the risk information accordingly.

- 23 The asset manager is under no obligation to provide information on the risks associated with specific types of transactions if a client has issued a separate written declaration stating that he/she understands the risks involved with transactions to be specifically identified in the declaration, thus, waiving further risk disclosure.

Any such declaration issued by the client to the custodian bank shall not constitute a respective declaration issued to the asset manager.

- 24 If a client requests that an asset manager shall render a service about which the asset manager has insufficient knowledge, the client must be notified of this fact.

If the asset manager does not wish to make such notification, he must decline to provide such services.

This does not apply to instances in which competent specialists are consulted.

- 25 The asset manager is obliged to inform his clients of his fees and of any other benefits or pecuniary values he receives or may receive in conjunction with considered services, regard-

less of their legal basis. He shall make his clients aware of any potential conflicts of interest resulting from such benefits or pecuniary values. Whenever amounts the asset manager may receive cannot be determined in advance because they depend on future results or factors, the asset manager shall comprehensibly disclose to the client the basis of calculation for and possible range of such benefits from third parties.

If such benefits, pecuniary values or general fees received from third parties also cover marketing efforts and other services, the asset manager shall inform the client accordingly.

At the request of the client, the asset manager shall duly inform about the importance of such benefits and pecuniary values received from third parties in the past.

Art. 7

Asset management agreement

The independent asset manager shall execute a written asset management agreement with his clients.

The written agreement shall:

- define the scope of the mandate,
- define investment objectives, strategic investment policies/asset allocation and any investment restrictions,
- describe the type, frequency and scope of the reports and financial statements to be provided, and
- determine the amount and basis for the calculation of the remuneration for executing the mandate.

Implementation provisions

- 26 The duty to execute a written asset management agreement arises whenever the asset manager is vested with the power to execute transactions concerning client assets (power of attorney limited to asset management or general power of attorney).

Business relationships restricted to the rendering of advisory services do not require a written agreement.

Regarding the marketing of shares in collective investment schemes and insurance products, the relevant federal legislation must be observed.

27 The written asset management agreement shall cover all aspects listed in Annex A.

28 To the extent the asset manager shall have discretionary management powers, he is limited to the investments listed in Annex B.

The degree of discretion permitted on the part of the asset manager may also be restricted by specific guidelines covering all or specific aspects listed in Annex A, section 3.3.

When executing his discretionary powers, the asset manager shall avoid risks arising from an unusual concentration on an insufficient number of investments.

29 Client instructions received by the asset manager that are not covered by provisions in the asset management agreement must be recorded in an appropriate manner, either in writing or electronically.

30 The asset manager shall agree with his clients in the asset management agreement whether, and if the situation arises, to what extent financial benefits he receives from third parties in connection with the services he shall provide will be passed on to clients.

31 The remuneration received by the asset manager for his services shall be agreed upon in writing by clients and may vary in accordance with the amount of assets under management and the amount of work required on the part of the asset manager. The method used to calculate the fee shall be laid out clearly and unambiguously. As a general principle, the following guidelines apply to the management of assets held with banks:

- Management fee of max. 1.5% p.a. of the assets under management; or
- Performance fee of max. 20% of the net capital increase, i.e. the increase in value taking into account deposits and withdrawals in addition to any unrealised losses. Losses carried forward (i.e. losses from previous accounting periods that were not offset by profits) must be deducted from this; or
- Management fee of max. 1% p.a. and performance fee of max. 10%, if the two fee systems above are combined.

In addition, similar fee models are permitted, provided they result in equivalent fees over the

expected average duration of a business relationship.

If the asset manager provides further services, he may charge clients for these separately at a rate expressly agreed upon.

In the case of investment strategies that require an exceptional amount of resources, upward deviation from the above fee principles above is permitted. Such upward deviation must always be disclosed in the asset management agreement. In such cases clients must be informed why and to what extent the fee deviates from the above fee principles.

32 If the asset manager provides his clients with his own performance reviews, he shall apply internationally recognised standards with respect to the calculation methods applied, cover an appropriate period of time (e.g. 1, 3 and 5 years/ since beginning of mandate) and comparative indices (benchmarks).

He shall automatically disclose in his statements any deviations from the standards applied.

If reporting to the clients is made only on the basis of the statements by the custodian bank, the asset manager shall disclose that his fees are not shown as expenses and the performance may be shown in a way not favourable to the client.

Art. 8

Confidentiality

Subject to the relevant laws and this code of conduct, the independent asset manager shall maintain absolute confidentiality with regard to all information of which he becomes aware in the course of his professional activity.

Implementing provisions:

33 When referring to third parties to provide services and when outsourcing business activities to third parties, the asset manager shall ensure that the third parties maintain the same level of confidentiality. Third parties must expressly agree to maintain confidentiality.

When using third parties to provide services and when outsourcing business activities to third parties, the asset manager shall ensure that personal client data is only used or pro-

cessed in ways and to the extent that he himself is entitled to do so and that statutory or contractual confidentiality obligations are adhered to. The third party must also expressly agree to comply with this obligation.

- 34 The asset manager shall implement appropriate technical and organisational measures to protect the personal data entrusted to him.

Art. 9

Unauthorised investment transactions

Unless authorised to operate as a bank, the independent asset manager may not accept deposits, as defined by the Swiss Federal Act on Banks and Savings Banks, from his clients. Unless he is authorised as a securities dealer, he may not operate securities accounts in his own name but for the account of his clients.

The independent asset manager shall not pool client assets in omnibus portfolios or accounts.

Implementing provisions:

- 35 The asset manager is deemed to have accepted deposits if he accumulates client money in bank and post office accounts and this money is allocated to individual clients exclusively by the asset manager. By contrast, the asset manager is permitted to make payments to and accept payments from individual clients through his own accounts.
- 36 Client assets may only be comingled in accounts/custody accounts of securities dealers or banks if these assets are attributed to individual clients by an authorised securities dealer or a bank.
- Excepted are schemes for collective investments.

Art. 10

Dormant assets

The independent asset manager shall take preventive measures to avoid loss of contact with his clients and dormant client relationships.

The independent asset manager shall protect the rights of beneficial owners in the event of dormancy. While observing the duty of confidentiality, he shall take appropriate steps to return dormant assets to their beneficial owners.

Implementing provisions:

- 37 In accordance with Art. 10 of this code of conduct, the following definitions apply:

Instruction: any instruction, communication or notification received by an asset manager from an authorised beneficial owner or his/her legal successor that results in the initiation of a transaction or an entry on the client file;

Dormancy: a lack of any contact, a complete absence of instructions for 10 years or the certain knowledge of the client's death in combination with the absence of information regarding a legal successor.

- 38 When entering into a client relationship of indefinite duration, the asset manager must obtain information on the client's expected legal successor(s).

If clients do not wish to provide such information, the asset manager shall inform them of the risks associated with dormancy.

- 39 In the event of dormancy, the asset manager shall continue managing client assets in accordance with the existing agreement.

- 40 In the event of dormancy, the asset manager shall take appropriate measures to return the assets to the beneficial owners.

In particular, appropriate measures may include:

- Carrying out follow-up research in public registers such as telephone directories and commercial registers.
- Informing the client's custodian bank of the dormancy.
- Informing the ombudsman appointed by the Swiss Bankers Association in accordance with the guidelines issued by the latter regarding the treatment of dormant accounts, custody accounts and safe-deposit boxes at Swiss banks.
- Informing the relevant foreign authorities provided these are subject to appropriate confidentiality regulations.

The asset manager shall be permitted to demand appropriate remuneration for his effort from clients/clients' legal successors.

Annex A:

Points to be covered by the written asset management agreement

The following points represent a minimum standard for the content of the written asset management agreement. Within the parameters of the provisions that apply to the asset management agreement (Art. 7 and the related implementation provisions), the parties are free to structure their agreement as they wish.

- 1 Exact names / designation of the parties
- 2 Account/custody account(s) concerned (always for assets with banks)
- 3 Appointment and authorisation to manage the assets (including the granting of authority to delegate tasks)
 - 3.1 Investment objective(s) of client, which may also be set out in minutes to a meeting;
 - 3.2 Reference currency;
 - 3.3 Extent of the discretionary management powers, in accordance with specific guidelines/special instructions. Specific guidelines may also be set out in minutes to a meeting;

If specific guidelines or special instructions are issued, these must be structured in the asset management agreement or the relevant minutes to a meeting using the following criteria:

 - a) Portfolio structure (share of equity securities, fixed income investments, precious metals, etc.);
 - b) Country/currencies/sectors in which investments may or may not be made;
 - c) Maximum exposure per country/currency/sector;
 - d) Minimum requirements for quality and liquidity of investments;

e) Permissibility and extent of on-going credit use;

f) Permissibility and volume of futures and derivative transactions/investments in hybrid and structured financial products.

3.4 Exercise of voting rights

(where asset managers are to exercise voting rights.)

- 4 Duty of confidentiality on the part of the asset manager (including the forwarding of data to agents and contractors.)
- 5 Reporting and accounting by the asset manager
 - In-house performance calculation or financial statements based on bank documents;
 - Frequency;
 - Whether reports and accounts of cost and fees are to be kept by the asset manager or regularly sent to the client.
- 6 Method of issuing instructions (by client)
 - In writing, fax, telephone, e-mail;
 - Allocation of risk associated with communication errors.
- 7 Remuneration of the asset manager
 - Method of calculation;
 - Due date(s);
 - Authorisation of asset managers to directly debit fees;
 - Treatment of financial contributions from third parties including how these are to be reported.
- 8 Dissolution of agreement (recommendation)

(Please note that under Swiss law, asset management agreements can be terminated immediately at any time and without notice period.)
- 9 Choice of law and venue (recommendation)

(To protect the interests of the client, it is recommended that Swiss law governs the relations between the asset manager and his client, and that the venue for legal disputes be selected at the Swiss domicile of the asset manager.)

Annex B:

Investment instruments for discretionary asset management

The following investment instruments are deemed to be standard instruments used under discretionary asset management mandates. They may be used even if the written asset management agreement does not expressly provide for their use. Other financial instruments may be used subject to agreement in the individual asset management agreement.

1 Fixed term deposits, fiduciary investments and securities lending

Fiduciary investments are limited to prime counterparties.

Counterparty risk in securities lending shall be controlled either via the provision of collateral or by limiting investments to prime counterparties.

2 Precious metals, securities and book-entry securities

Investments in precious metals, money market and capital market investments in the form of physical and scripless (book-entry) securities (e.g. shares and other equities, bonds, notes, money market debt instruments) and their derivative instruments and combination (in particular derivative, hybrid or structured financial products) must be readily marketable, i.e. they must be listed on a recognised stock exchange in Switzerland or abroad or there must be a representative market for them.

To a limited extent, investments may be made in widely-held securities and book-entry securities that are recognised by investors and have only limited tradability, such as treasury notes and OTC products. However, in the case of OTC products, the issuer must have a recognised credit rating and market rates must be available for these instruments.

The following provisions apply to specific categories of money and capital market investments.

3 Collective investment instruments

Investments in collective investment schemes are permitted (investment funds, investment

companies, segregated in-house funds of banks, unit trusts, etc.) provided that these instruments invest as permitted under this Annex B.

Investments may also be made in collective investment schemes that may pledge their assets and take on leverage to a limited extent provided for they are authorised for public distribution in accordance with Swiss legislation or the under the regulations of the European Union.

The right of the investor to terminate his investment under reasonable terms is deemed equivalent to being readily marketable.

4 Alternative investments

Investments in hedge funds, private equity and real estate are considered alternative. Alternative investments are not necessarily limited to the instruments permitted by this annex and/or readily marketable instruments.

In the interests of diversifying the overall portfolio, alternative investments may be used if they are structured according to the fund of funds principle or otherwise guarantee an equivalent level of diversification. Alternative investments must also be readily marketable or the investor has to be in a position to terminate his investment under reasonable terms.

Diversification shall be implemented in accordance with the fund of funds principle where investments are held in a single collective vehicle if these are investments managed in accordance with the multi-manager principle (fund management by multiple independent fund managers).

The asset manager shall set out the manner in which alternative investments are to be used in a written investment policy and take the measures required to ensure the diligent and professional implementation of this policy.

5 Transactions in standardised options (traded options)

Transactions in options on securities, foreign exchange, precious metals, interest rate instruments and stock market indices that are traded on an organised market and through a recognised clearing house are permitted, provided they do not have a leverage effect on the portfolio.

There is no leverage effect if the portfolio:

- in case of call options being sold or put options being bought, has a position in the un-

derlying or, where the option is on a stock market index or interest rate, there is a position in securities that sufficiently represents the underlying.

- in case of put options being sold, already when selling the option, has sufficient liquidity to exercise the contract at any time to maturity.

The asset manager must ensure at all times that the portfolio structure still complies with the investment policy agreed upon with the client after an option has been exercised.

Call and put positions may be offset at any time.

6 Transactions in non-standardised options

The principles for standardised option transactions shall also apply to transactions in options of a non-standardised nature, such as OTC (over-the-counter) options, warrants and covered call positions (this list is not exhaustive). However, in the case of OTC products, the issuer must have a recognised credit rating and market rates must be available for these instruments.

Covered short positions require the express approval of the client unless they are covered by lines credit issued to the client.

7 Financial futures

When selling financial futures, there must be a corresponding position in the underlying. Stock market index, currency or interest rate futures may be sold if the underlying asset is sufficiently represented in the portfolio.

When purchasing financial futures, sufficient liquidity must be in place from the time a future is bought.

8 Hybrid and structured products

Investments in hybrid and structured financial products (e.g. PIP, PEP, GROI, IGLU, VIU or PERLES) are permitted if the risk profile of the financial products is equivalent to that of a permitted financial product. If an instrument has a multi-levelled risk profile, all individual risk levels must be equivalent to an instrument permitted by this Annex B.

Synthetic covered call positions (e.g. BLOC warrants, DOCUs or GOALS) are not deemed to be covered short positions within the meaning of the aforementioned definition.

In the case of non-listed hybrid and structured financial products, the issuer must have a recognised credit rating and market rates must be available for these instruments.



Verband Schweizerischer Vermögensverwalter | VSV
Association Suisse des Gérants de Fortune | ASG
Associazione Svizzera di Gestori di Patrimoni | ASG
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