



# FinSA and FinIA Swiss Investor Protection Regulations



Dear Client

The Financial Services Act (FinSA)<sup>1</sup> and the Financial Institutions Act (FinIA)<sup>2</sup> are part of the new Swiss financial market architecture, which is intended to provide even more sustainable protection for investors' interests in future.

The FinSA came into force on January 1, 2020 and allows financial service providers a transitional period of up to two years to implement the investor protection provisions, which we are currently using.

This FinSA brochure<sup>3</sup> is intended to provide you with information on the FinSA and its effect on the relationship between you and LGT Bank (Switzerland) Ltd.

Your relationship manager will be happy to help if you have any questions about the specific contents of this brochure.

Yours sincerely  
LGT Bank (Switzerland) Ltd.

<sup>1</sup> Swiss Federal Act on Financial Services of June 15, 2018

<sup>2</sup> Swiss Federal Act on Financial Institutions of June 15, 2018

<sup>3</sup> Please note that this brochure has been produced for information and for supervisory reasons, and is not intended as marketing material. In addition, this brochure is not intended as an offer, or solicitation of an offer, for a financial service or a recommendation to buy or sell a financial instrument.

# Your questions – our explanations

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### **What is the FinSA?**

“FinSA” is the abbreviation of the Financial Services Act, which came into force on January 1, 2020. The FinSA particularly seeks to improve investor protection and contains codes of conduct such as duties to provide information, to document and to render account, as well as provisions on appropriateness and suitability, and transparency and care, that we, as financial service providers, must comply with when providing financial services to our clients<sup>4</sup>. The FinSA provides for various transitional periods for introducing the new investor protection provisions. LGT Bank (Switzerland) Ltd. (“LGT”) shall make use of these transitional periods and put the duties described in this brochure into practice from January 1, 2022, unless the law stipulates shorter transitional periods for individual provisions or compliance with certain rules to be implemented has been agreed from an earlier date.

### **Who is subject to the FinSA?**

Financial service providers, i.e. people and companies that provide financial services on a commercial basis in Switzerland or for clients in Switzerland, are subject to the FinSA in particular. This covers financial institutions like LGT, as well as portfolio managers and producers and providers of financial instruments.

### **Financial services and financial instruments covered by the FinSA**

The FinSA applies to all financial services listed therein. Among others, the list includes portfolio management and investment advisory services, which form the core business of LGT’s financial services. The management of assets deposited with LGT by an external asset manager is also a financial service under the FinSA. In this case, the external asset manager is responsible for complying with the duties associated with the portfolio management. LGT has summarized the service components in the relevant price list for each service. Price lists form part of the account opening documents. Changes are made available to bank clients in electronic form, in particular on the bank’s website (under [www.lgt.ch/offering](http://www.lgt.ch/offering) as a “closed user group”).

User names and passwords are sent to you by post or electronically depending on your chosen mailing method. You always have the option to also receive information on services, fees and compensation from your relationship manager in hard copy form on request.

Financial instruments are defined in the FinSA and comprise various equity securities (such as securities (Effekten) in the form of share, participation or dividend-right certificates), but also debt instruments (securities (Effekten) not classified as equity securities). Units in collective investment schemes and structured products (in particular capital-protected products, capped return products and certificates) are also financial instruments, as are derivatives and deposits (whose redemption value or interest is risk- or price-dependent) and bonds.

### **Risks involved in trading financial instruments**

Trading in financial instruments not only offers opportunities, but also incurs risks that can vary considerably depending on the financial instrument involved. The Swiss Bankers Association brochure from 2008 has been revised completely in view of the FinSA and contains general information on financial services in the investment field, as well as specific characteristics and the particular risks of individual financial instruments, under the new title “Risks Involved in Trading Financial Instruments.” It can be viewed and downloaded at any time at [www.lgt.ch/downloads/investorprotection](http://www.lgt.ch/downloads/investorprotection).

### **LGT’s services**

#### **5.1 Overview**

LGT provides financial services, in particular discretionary portfolio management and investment advisory services, but it also grants loans to finance transactions with financial instruments. LGT also provides other services in the financial sector such as wealth planning, the safe custody of assets and broker and payment services. The portfolio management and investment advisory services are LGT’s core business and are performed taking the client portfolio into account, unless agreements that contain statements to the contrary exist.

<sup>4</sup> The terms relating to persons used in this brochure (“client,” “relationship manager” etc.) explicitly include all gender identities.

LGT also executes orders issued by clients of the bank on their own initiative and without prior advice (known as "advice-free transactions"). This also applies to assets managed by an independent asset manager and held in safe custody by LGT. In this case, LGT executes the orders of the asset manager issued on behalf of the client. The regulations agreed in the individual contracts apply to each service component. LGT's range of services may vary depending on the client's domicile.

### **5.2 Information on portfolio management by LGT**

In the case of the discretionary management of client assets in various asset classes (equities, bonds, forward and options transactions, liquidity etc.), LGT manages the assets in accordance with the investment strategy agreed between the client and LGT. Investments are selected taking into account the client's knowledge and experience in the financial sector, financial circumstances, risk tolerance and investment objectives. LGT has listed the portfolio management services in the relevant price list, or in the applicable portfolio management mandate.

Private clients who have concluded a portfolio management mandate with LGT are considered to be qualified investors in accordance with the Swiss Federal Act on Collective Investment Schemes (CISA) unless they have informed LGT in writing that they do not wish to be considered as such. Within the scope of their managed investments, qualified investors have access to units in foreign collective investment schemes that are not approved by FINMA. Private clients also have access to certain structured products with a higher risk under a portfolio management mandate with LGT. LGT explains this in the contract documentation of the portfolio management mandate.

### **5.3 Information on investment advisory services from LGT**

LGT's recommendations to buy or sell financial instruments are made with consideration of the client's financial circumstances, risk tolerance and investment objectives. They also always correspond to the client's knowledge and experience in the respective asset class. If clients have insufficient knowledge of an asset class, they may receive explanations and risk clarification documents designed specifically for the asset class from their relationship manager to acquire the knowledge required.

Where financial instruments are personally recommended, LGT makes a key information document (KID) or equivalent product information (e.g. PRIIPs KID) available to its private clients free of charge before subscription or before concluding the contract. At the private client's request, LGT also makes any prospectuses for the financial instrument available or informs the private client where a prospectus can be viewed. The conditions of the individual advisory models are listed in the relevant price list or in the various individual contracts.

### **5.4 Advice-free services at LGT**

Even if an advisory relationship is in place, clients always have the option of issuing orders to buy or sell financial instruments on their own initiative. In an advice-free transaction, the bank only takes into account whether the client has the knowledge and experience required to understand the risks of the desired investment. Other factors such as the client's financial circumstances or investment objectives are not considered in an advice-free transaction. When executing client orders where no investment advice has been provided beforehand, LGT shall only make a key information document (KID) or equivalent product information (PRIIPs KID) available in advance if a document or information of this kind can be found by the banking system. It shall no longer inform the client of this fact before each execution of an advice-free transaction.

## 5.5 Portfolio management by an external asset manager

Bank clients who have their assets managed by an external (i.e. independent of LGT) asset manager maintain a custody account relationship with LGT. They grant their asset manager a restricted power of attorney under which LGT receives the asset manager's orders and executes them in accordance with its best execution policy. LGT does not check whether the orders correspond to the knowledge, experience, risk tolerance, financial circumstances and investment objectives of the client. As a financial service provider, the external asset manager is solely responsible for complying with the duties resulting from the portfolio management for its clients.

## Selection of financial instruments and business affiliations with third parties

Based on an in-depth analysis of the financial markets and a selection of financial instruments that is independent of any particular provider as a basic principle, LGT offers its clients a large number of investment options and products such as collective investment schemes, structured products, certificates, notes and credit and debit cards produced by LGT Group companies or other third parties.

LGT receives distribution or other remuneration from product producers in the form of monetary and non-monetary benefits. It also reserves the right to pay compensation to third parties for bank client referrals and/or rendering services. Such distribution or other remuneration has the potential to result in conflicts of interest as clients' interest in obtaining the best result and best recommendation for themselves may clash with the bank's interest in receiving distribution remuneration. LGT has taken internal measures to either avoid such conflicts of interest or to disclose them if they cannot be avoided. These measures are summarized in the "Information on dealing with conflicts of interest and remuneration from third parties" information sheet, which forms an integral part of the account opening documents. Your relationship manager will also be happy to make this information sheet available to you on request.

## Client segmentation

### 7.1 Client segments

LGT assigns its clients to one of the following three segments:

- Private clients
- Professional clients
- Institutional clients

The scope of investor protection afforded to the client depends on the segment to which the client belongs.

### 7.2 Private clients

Private clients are entitled to the full extent of investor protection. In particular, this comprises pre-contractual service- and product-related information, assessments of the appropriateness or suitability at the time of the transaction and subsequent information at the client's request, e.g. regarding services provided.

All LGT clients who are not considered professional or institutional clients by law (see points 7.3 and 7.4) are assigned to the private client segment automatically in the absence of any prior information to the contrary. Natural persons are generally considered private clients. This also applies to investment structures and companies that do not have professional treasury<sup>5</sup> operations. Under certain conditions, high-net-worth private clients and investment structures have the option to be assigned to the professional clients segment if they explicitly wish to be. This option is explained under point 7.5 "Changing to another client segment."

In the case of a joint account, LGT assigns each account holder to the segment that applies to him personally. In isolated cases, this may mean that joint account holders are assigned to different segments. If this happens, the joint account is treated in accordance with the rules of the segment that enjoys a higher level of investor protection.

### 7.3 Professional clients

Assignment to the professional clients segment is either on the basis of a legally prescribed list or at the request of clients themselves. The conditions for a change of segment initiated by the client are explained under point 7.5 "Changing to another client segment."

<sup>5</sup> Professional treasury operations require a person with a specialist qualification and experience in the financial sector who is entrusted with managing financial resources.

The following client groups are considered professional clients by law:

- Public entities with professional treasury operations<sup>6</sup>
- Occupational pension schemes with professional treasury operations<sup>6</sup> and other occupational pension institutions providing professional treasury operations
- Companies with professional treasury operations<sup>6</sup>
- Large companies that exceed two of the following parameters:
  - Balance sheet total of CHF 20 million;
  - Sales of CHF 40 million;
  - Equity of CHF 2 million.
- Private investment structures with professional treasury operations set up on behalf of high-net-worth private clients<sup>6</sup>
- Swiss and foreign collective investment schemes and their management companies that are not already considered institutional clients (see point 7.4)

In the case of professional clients, LGT is entitled to assume that they have sufficient knowledge, experience and expertise to make both the relevant investment decisions and a reasonable assessment of the associated risks. Professional clients may explicitly waive compliance with the duties toward private clients to provide information and to document and render account. This means that, when providing personal advice to professional clients, LGT is not required to make available a key information document (KID), a PRIIPs KID or a prospectus, for example.

In the case of authorized agents who issue LGT orders as external asset managers based on a corresponding portfolio management mandate and who are themselves financial intermediaries under the Financial Institutions Act (FinIA), LGT assumes, as with professional clients, that they have sufficient knowledge, experience and expertise to make a reasonable assessment of the risks associated with the investment.

Professional clients are considered to be qualified investors in accordance with the CISA. Therefore, units in collective investment schemes intended exclusively for qualified investors may be offered to professional clients as a basic principle.

Professional clients also have access to certain structured products that may not automatically be offered to private clients.

#### 7.4 Institutional clients

Institutional clients form a sub-group of professional clients and are legal entities without exception. Assignment to the institutional clients segment is either on the basis of a legally prescribed list or at the request of clients themselves. Assignment at the client's request is explained under point 7.5 "Changing to another client segment."

The following client groups are considered institutional clients by law:

- Financial intermediaries as defined in the Swiss Banking Act (BankA), the Swiss Financial Institutions Act (FinIA) – such as asset managers subject to prudential supervision – and the CISA
- Insurance companies as defined in the Swiss Insurance Oversight Act (IOA)
- Foreign subject to equivalent prudential supervision
- Central banks

LGT is not obligated to comply with the codes of conduct under the FinSA for institutional clients. Precontractual duties to provide information and assessments at the time of the transaction, in particular, are less extensive than those that apply to private clients. LGT also applies its best execution policy with institutional clients. Institutional clients are always considered to be qualified investors in accordance with the CISA.

#### 7.5 Changing to another client segment

##### Opting out

Under certain conditions, high-net-worth private clients or private investment structures set up on their behalf may submit a request to be classified as a professional client ("opting out").

<sup>6</sup> See footnote 5

To this end, clients must credibly demonstrate that they meet at least one of the following two conditions:

- On the basis of training, education and professional experience or on the basis of comparable experience in the financial sector, they possess the knowledge required to understand the risks associated with the investments and have at their disposal bankable assets<sup>7</sup> of at least CHF 500 000.
- They have at their disposal bankable assets<sup>8</sup> of at least CHF 2 million

If the client is a private investment foundation, LGT requires all beneficial owners to meet at least one of the two conditions above. If this is not the case, the account shall be treated as the account relationship of a private client. If the account relationship has multiple account holders, LGT requires each account holder to meet at least one of the two conditions above. If this is not the case, the joint account shall be treated as the account relationship of private clients.

In the event of a change of segment from private client to professional client, the qualification under the CISA must also be changed to qualified investor.

LGT provides a bank form for the request (“opting out”) that describes the conditions and consequences of the change in detail. After the request has been reviewed and validated, the client shall be informed of the successful change of segment.

Opting out of the professional clients segment and changing to the institutional clients segment is only possible for the following client groups:

- Occupational pension schemes with professional treasury operations and other occupational pension institutions providing professional treasury operations<sup>9</sup>
- Companies with professional treasury operations<sup>10</sup>
- Swiss and foreign collective investment schemes and their management companies, if they are not already considered institutional clients

### **Opting in**

Professional clients may submit a request in writing stating that they do not (or no longer) wish to be considered professional clients and instead wish to be considered private clients (“opting in”). The bank will then treat the client relationships affected as those of a private client. In this regard, it is important to note that account relationships in which the client is only one of several joint account holders will also be reviewed and potentially reclassified by the bank. Opting in also results in the client no longer being considered a qualified investor under the CISA. Institutional clients may declare that they wish to be considered professional clients.

### **Investor profile as the basis for an appropriateness and suitability assessment**

LGT collects information from clients for whom it provides an investment advisory or portfolio management service and creates an investor profile based on these details. The investor profile serves as the basis for an appropriateness or suitability assessment that the bank performs in the following situations:

- LGT reviews the suitability and appropriateness of the recommendation when providing investment advice to private clients. This ensures that the recommendation corresponds to the client’s knowledge and experience, risk tolerance, risk-bearing capacity and investment objectives (time horizon and purpose of the investment, taking into account any investment restrictions). In the case of professional and institutional clients, LGT assumes when providing investment advice that the client has the knowledge and experience required and can financially bear the risks associated with the recommendation.
- As part of the portfolio management process, the bank assesses whether the investment strategy chosen by private clients corresponds to the information they provided in their investor profile.

<sup>7</sup> In this context, bankable assets are financial investments owned directly or indirectly by the private client, specifically call or time deposits with banks and securities firms, securities and book-entry securities, including Effekten, collective investment schemes and structured products, derivatives, precious metals, life insurance policies with surrender value and restitution claims relating to other assets held under a fiduciary relationship. Direct investments in real estate, social insurance entitlements and benefits in occupational pension schemes are not bankable assets.

<sup>8</sup> See footnote 7.

<sup>9</sup> See footnote 5.

<sup>10</sup> See footnote 5.



To create the investor profile, LGT inquires about clients' investment objectives, financial circumstances, risk tolerance and knowledge and experience.

- The investment objectives cover information from clients relating to the planned purpose of the investment, the investment horizon and the preferred level of portfolio risk.
- The clients' financial circumstances cover details on their total assets, the nature and amount of their regular income and expenditure and their current and future financial commitments (such as alimony payments) and planned investments.
- In particular, the clients' risk tolerance covers information on their ability to tolerate losses, understanding of the relationship between risk and expected returns and their general willingness to take risks.
- Clients inform the bank about their knowledge and experience in relation to the various financial instruments and financial services. Persons who are permitted to issue orders to the bank as authorized agents also inform the bank about their knowledge and experience. If the order is issued by a person authorized by the client, the knowledge and experience of this authorized person is taken into account in the issuing of the order.

In order to comply with its codes of conduct in accordance with the FIDLEG, LGT relies on the information described above and this information being up to date. You share this information with us and LGT is entitled to rely on it being correct as a basic principle. If your personal circumstances change and no longer correspond to the details communicated in the investor profile or in any other way, you are obligated to inform your relationship manager about this without delay so that the relevant change can be made to your investor profile. You will then receive the updated version of your investor profile for your information and are requested to tell your relationship manager if there are any other differences.

Where solely executing or transmitting client orders that are not based on a recommendation from LGT and are therefore viewed as advice-free transactions by LGT, LGT is not obligated to perform an appropriateness or suitability assessment. LGT shall no longer make special reference to this fact before executing an advice-free transaction.

#### **LGT documents and renders account**

Among other information, LGT documents the financial services agreed with clients, the information collected about clients, the financial services provided to them and the reasons for a recommendation to buy or sell a financial instrument. At clients' request, LGT also renders account of the financial services agreed and provided, the information collected about clients and the reasons for a recommendation to buy or sell a financial instrument. Clients can ask to view their client file at any time. For this purpose, LGT asks its clients to tell their relationship managers which information they would like to receive in as much detail as possible by letter or e-mail so that the documents required can be made available promptly and in full. Unless otherwise agreed, LGT shall provide the documents required once free of charge by mail within 30 days of receiving the request.

#### **Principles of transparency and care**

LGT always upholds the principles of good faith and equal treatment when processing client orders. It also takes all measures that it deems necessary to achieve the best execution of client orders. The principles followed by LGT when executing client orders are summarized in the "Best Execution Policy – BEP," which is part of the account opening documents.

#### **Advertising financial services and financial instruments**

LGT labels advertising for financial instruments or financial services as such and, in the case of advertising for financial instruments, indicates in each case where the relevant product information document can be obtained.

### **Handling complaints**

Our clients' satisfaction is our top priority. If you have a complaint, please contact your relationship manager without delay. If, contrary to expectations, no solution is found, you have the option of contacting the ombudsman service of which LGT is a member. This acts as a free and neutral information and mediation office. The contact information for the ombudsman service can be found under "Contact and authorization information."

### **Contact and authorization information**

LGT is subject to the Swiss Banking Act (BankA), is authorized to operate as a bank and is supervised by the Swiss Financial Market Supervisory Authority (FINMA).

Swiss Financial Market Supervisory Authority (FINMA)  
Laupenstrasse 27  
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### **Legal disclaimer**

This FinSA brochure is intended only for LGT's clients and has been produced with the greatest possible care. By providing the information in this brochure, LGT accepts no liability for the correctness, completeness or accuracy of its content, particularly as changes may be made after the brochure has been published. You can find the latest version of this brochure on the website [www.lgt.ch/downloads/investorprotection](http://www.lgt.ch/downloads/investorprotection).

The General Business Conditions of LGT and the relevant applicable individual contracts between the client and LGT always apply.



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