

Swiss Financial Services Act (FinSA)

Information for clients of Banca Popolare di Sondrio (SUISSE) SA

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INTRODUCTION

This leaflet provides information concerning the Swiss Financial Services Act (FinSA), which aims to strengthen investor protection and establish a common standard for financial service providers. The FinSA provides for a transition period of two years, that is to say, the requirements of the FinSA indicated in this leaflet should have been fully implemented at the latest by the end of 2021.

The leaflet also contains information about the implementation of the new regulatory standards applicable to the clients of Banca Popolare di Sondrio (SUISSE) SA, Switzerland, hereinafter also referred to as BPS (SUISSE) or the Bank.

Do not hesitate to contact your consultant for further information concerning the new regulation.

Please note that this leaflet has been provided purely for informative and regulatory purposes. It is neither a request or quotation for a financial service, nor is it a recommendation for the purchase or sale of any financial instruments.

GENERAL INFORMATION

The new Swiss Financial Services Act (FinSA) entered into force in Switzerland on 1st January 2020.

Please refer to the FINMA website for further details:

<https://www.finma.ch/en/authorisation/fidleg-und-finig/>

Banca Popolare di Sondrio (SUISSE) SA, with its registered office at Via G. Luvini 2a in Lugano, is a bank that is governed by Swiss law and subject to the Swiss Federal Act on Banks and Savings Banks (BankA) and the supervision of the Swiss Financial Market Supervisory Authority (FINMA). BPS (SUISSE) is authorised to act as a bank and a stock broking company and is also permitted to provide the entire range of banking services, including discretionary and advisor mandates and services relating to the purchase, sale and custody of securities and other financial instruments. BPS (SUISSE) also provides brokerage and payment services in addition to financing and loans guaranteed by securities.

The provision of products and services also depends on the applicable law in the country of domicile of each client and may not be (or at least not entirely) valid for all clients.

If you require any information, please contact:

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FINMA

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ASSESSMENT OF SUITABILITY

With regard to the asset management (discretionary mandates) and advisory services offered, BPS (SUISSE) is required to assess whether or not products and financial instruments are suitable for clients. This means that a client must be able to properly understand the nature and risk of an offered investment service or a recommended financial instrument and must have the ability to sustain any related financial loss. BPS (SUISSE) is obliged to assess whether or not the investment strategy and transaction are in line with the client's investment objectives.

In order to perform an assessment of suitability, BPS (SUISSE) is required to obtain specific information about the client's personal and financial situation. To this end, the client must compile a risk portfolio containing the following essential information:

- financial situation, including the financial risk capacity and risk appetite;
- investment objectives, including the investment horizon;
- knowledge and experience in asset classes.

BPS (SUISSE) is based on the information provided. Clients are therefore asked to inform the Bank immediately of any change in circumstances that could have an impact as a result of which the information provided in the Risk Profile no longer reflects the actual situation.

SUITABILITY OF THE INVESTMENT STRATEGY

The risk profile is used as a basis for defining a suitable investment strategy for the assets held with BPS (SUISSE). This strategy determines the choice of investment strategy for the discretionary or advisor mandate conferred by the client. If a client has multiple mandates, compliance with the individual investment strategies is assessed for each mandate.

SUITABILITY OF SPECIFIC TRANSACTIONS

Before recommending a financial instrument for specific transactions, BPS (SUISSE) assesses its suitability in relation to the information available. If a client requires advice on a financial instrument that has been deemed unsuitable, the Bank shall provide the client with information in this regard.

If a client would still like to proceed in spite of what indicated, the transaction shall be considered not recommended by BPS (SUISSE) (execution only transaction). Depending on the specific case, the Bank may refuse to include such instruments in a portfolio of ongoing monitoring services.

APPROPRIATENESS OF SPECIFIC TRANSACTIONS

For each specific transaction, BPS (SUISSE) shall assess whether or not the client is able to develop an understanding of the nature and risks associated with a financial instrument before placing an order (assessment of appropriateness). This assessment is based on the information received from the client regarding their knowledge and experience. If a financial instrument is considered inappropriate, the Bank shall instruct the client on the respective instrument or inform them of the fact that their knowledge and experience is not sufficient to understand the associated risks.

In order to assess the appropriateness of a transaction, the Bank shall verify the knowledge and experience of the person placing the order, which may be the account holder, a joint holder, a representative or an authorised signatory of a company.

CLASSIFICATION OF CLIENTS

The FinSA contains the followings classes for clients of financial service providers: “private clients”, “professional clients” and “institutional clients”. Each category is assigned a different level of investor protection, for example with regard to reporting obligations, adequacy and appropriateness obligations, as well as documentation and liability obligations.

PRIVATE CLIENT

BPS (SUISSE) usually treats its clients as private clients, unless they have been notified otherwise. Private clients are given the maximum level of investor protection. Before a service can be provided or a transaction can be carried out, it is necessary to provide comprehensive information on the risk associated with the product, for example via a key information document (KID). The range of financial instruments available is generally limited to products intended for private clients or those that are explicitly registered for distribution to private clients.

PROFESSIONAL CLIENT

Professional clients are considered to be experienced investors who have a lower level of investor protection than private clients based on their level of knowledge and experience and their ability to withstand financial losses.

Some rules are not applicable to the professional clients (providing information via the KID, for example). Professional clients have a broader investment universe at their disposal, including financial products intended exclusively for professional clients or those that are registered for distribution to private clients.

INSTITUTIONAL CLIENT

Institutional clients are a sub-group of professional clients or those identified by an * (asterisk) in the list below, in addition to national and supranational bodies governed by public law with a professional treasury.

HOW TO BECOME A PROFESSIONAL CLIENT

The client is classified as a professional client by law or as a result of a request to change classification (“opting out”).

The following categories are defined as professional clients by law:

- Financial intermediaries, as defined by the Banking Act (BankA), the Financial Institutions Act (FinIA) and the Collective Investment Schemes Act (CISA)*;
- Insurance companies, pursuant to the Insurance Oversight Act (IOA)*;
- Foreign clients subject to prudential supervision*;
- Central banks*;
- Bodies governed by public law with a professional treasury;
- Pension funds and institutions devoted to occupational pensions with a professional treasury;
- Companies with a professional treasury;
- Large enterprises;
- Private investment structures with a professional treasury for wealthy private clients.

Wealthy private clients may declare that they have been classified as professional clients (opting out). In order to do this, they must meet one of the following criteria:

- Have the necessary knowledge based on education, training and professional experience or comparable experience in the financial sector to be able to understand the risks associated with investments, as well as calculable assets of at least CHF 500'000; or
- Have calculable assets of at least CHF 2 million.

Direct investments in property and rights arising from social insurance schemes, as well as occupational pension assets do not fall within the calculable financial investments.

Private clients can be reclassified as professional clients by filling in the relevant form. However, it is not possible to request to opt out of individual services or classes of financial products; the process of opting out applies to the entire range of products and services covered by the relationship with BPS (SUISSE). The clients must confirm that they satisfy all aspects of the necessary requirements before they can become professional clients.

Once their classification as a professional client has been established, the client shall be entitled to request to be reclassified as a private client at any time (opting in).

BEST EXECUTION

Best execution refers to the Bank's obligation to take all the necessary measures to achieve the best possible result for clients when executing transactions on their behalf (including the right to engage third-party financial institutions to execute transactions).

BEST EXECUTION FACTORS

BPS (SUISSE) takes into consideration the following execution factors when determining the best possible result for its clients:

- The cost, i.e. the cost of executing the transaction;
- The expenses, i.e. explicit expenses including taxes, commissions and implicit expenses;
- The likelihood of execution, i.e. the presumed ability to execute the order in a specific case;
- The likelihood and speed of implementation, i.e. the likelihood of concluding the transaction and the corresponding speed of implementation;
- The type and size of the order, i.e. the volume and structure of the order, affecting the actual execution cost;
- The speed, i.e. the time in which the order should be executed.

As a rule, the cost of the financial instrument and any costs relating to the execution of the order (total consideration) is of the utmost relative importance to achieve the best possible result. However, the overall result of a particular transaction for a client may be influenced by other factors. Therefore, the Bank may, in specific cases, attach greater importance to execution factors other than the price and immediate cost.

GOVERNANCE

BPS (SUISSE) has implemented a policy which is used to define the best execution principles and methods. This document also contains the control, monitoring and review processes as well as a reporting infrastructure relating to the effective execution of orders.

A general review of the policy and the order management and execution methods to check the completeness and effectiveness of the reference document (e.g. to check whether the selection criteria still lead to the same identification of brokers) is carried out at least once a year or whenever a significant change occurs that could affect BPS (SUISSE)'s ability to achieve the best possible results for its clients on an ongoing basis.

CONFLICTS OF INTEREST

Conflicts of interest can occur if the commercial interest conflict with one another. If they are not mitigated, they could put the client at a financial disadvantage.

TYPES OF CONFLICT OF INTEREST

The following list, which is not exhaustive, illustrates the situations in which conflicts of interest may occur in relation to:

- BPS (SUISSE)'s own interest resulting from the sale and trading of financial instruments, including instruments issued by an entity of the Banca Popolare di Sondrio group;
- Receipt of compensation from third parties (please refer to the "Compensation from third parties" paragraph for details about compensation);
- Compensation based on the performance of employees and compensation paid to intermediaries (where applicable and permitted);
- Relationships (e.g. service, collaboration or revenue participation agreements) that BPS (SUISSE) may have with issuers of financial instruments that are offered or recommended to clients.

MEASURES TAKEN TO IDENTIFY CONFLICTS OF INTEREST

BPS (SUISSE) undertakes to correctly identify the potential conflicts of interest so that it can manage them. The Bank therefore keeps a record of all the identified situations involving an interested party, or in the following cases:

- There is a likelihood of making a financial gain or avoiding a financial loss, at the client's expense;
- There is an interest in the outcome of a service provided to a client or a transaction carried out on behalf of a client, which is different to the client's interest in the outcome;
- There is a financial incentive, or incentive of another kind, to favour the interests of a client or group of clients over the interests of another client or group of clients; or
- The interested party performs the same activity as the client and/or receives compensation in relation to a service provided to the client.

MEASURES TAKEN TO AVOID, MANAGE OR MITIGATE CONFLICTS OF INTEREST

BPS (SUISSE) strives to act with expertise and professional integrity. When it comes to conflicts of interest, BPS (SUISSE) has implemented a policy containing a set of minimum standards. Members of staff are required to comply with this policy at all times.

BPS (SUISSE) has also put a broad range of organisational measures in place to identify, avoid and mitigate the following conflicts of interest to the greatest extent possible (list is not exhaustive):

- Organisational procedures to safeguard the client's interests (for example privacy, information barriers, separation of responsibilities, technical separation);

- Rules relating to the acceptance, offer and provision of compensation (including gifts and/or different forms of entertainment);
- Rules relating to transactions involving staff accounts;
- Process of approving and reviewing external mandates, secondary professional activities and shareholdings relating to staff members.

CHECKS

BPS (SUISSE) has implemented a series of checks at the level of business units and independent control functions in order to guarantee that operations are carried out in full compliance with the applicable provisions and to avoid conflicts of interest.

DISCLOSURE OF CONFLICTS OF INTEREST AND CONSENT TO PROCEED

BPS (SUISSE) undertakes to identify, avoid or mitigate any conflicts of interest that may arise in relation to the services offered to the client.

If the measures taken were unable to prevent clients from being subjected to detrimental situations or if this would only be possible with a disproportionate effort, BPS (SUISSE) shall disclose the conflict in an appropriate manner.

COMPENSATION FROM THIRD PARTIES

Compensation is a benefit that BPS (SUISSE) may receive from another legal entity (including the Group companies and third parties) and that is not paid directly by a client or on behalf of a client. The expenses paid directly by a client to BPS (SUISSE), such as commissions for advisory services, custody services or transactions (including expenses included in the issue price of a financial instrument) shall not be considered compensation.

REGULATION OF COMPENSATION

The receipt and payment of compensation are regulated carefully as they may result in potential conflicts of interest. Clients should be suitably informed of the existence of such compensation and renounce its repayment; if this is not the case, BPS (SUISSE) shall be required to transfer the compensation received to the client.

RECEIVED COMPENSATION

BPS (SUISSE) offers, albeit to a limited extent, discretionary mandates that may involve the payment of compensation.

As part of an advisor mandate, BPS (SUISSE) undertakes to recommend only the products it considers best (both with and without compensation), always taking into account their suitability and appropriateness as well as any potential investment restrictions stipulated by the product itself.

CALCULATION OF COMPENSATION

The amount of compensation may depend on the financial instrument, its provider and the volume of the assets invested in the financial instrument.

The client expressly accepts that BPS (SUISSE) has the right to receive and retain such compensation in accordance with the terms and conditions established in the associated service agreements and/or the Safe Custody Regulations.

COMPENSATION PAID TO THIRD PARTIES

If BPS (SUISSE) has established a business relationship with a client, for example via a third party who acts as a broker, it may pay this third party a one-off commission (based on revenue, transactions or activities). In the case of clients managed by a financial intermediary that engages BPS (SUISSE) for the custody and execution of trading activities, BPS (SUISSE) may pay this intermediary a one-off or ongoing collaboration commission.

If this is the case, BPS (SUISSE) shall inform its clients of the existence and nature of such payments to third parties. Each of these parties must also comply with its compensation obligations, in particular with regard to receipt restrictions, reporting obligations and the management of conflicts of interest. BPS (SUISSE) shall not assume any liability for the obligations of third parties in this regard.

RISKS INVOLVED IN TRADING FINANCIAL INSTRUMENTS

Investments in financial instruments (for example assets, bonds, funds and structured products) present an opportunity but also involve risks. It is extremely important that clients understand the risks associated with the financial instrument that is being invested in. The “Risks Involved in Trading Financial Instruments” leaflet issued by the Swiss Bankers Association (SBA), contains general information about typical financial services and the characteristics and risks associated with financial instruments.

The leaflet can be downloaded via the following link:
<https://www.swissbanking.org/en/services/library/guidelines>
 or obtained from your personal consultant.

PRODUCT INFORMATION

The introduction of the FinSA means that, when financial instruments other than assets or bonds are recommended, the corresponding prospectuses (KID), if provided by the manufacturer, are made available in addition to the “Risks Involved in Trading Financial Instruments” leaflet.

COMPLAINTS MANAGEMENT

BPS (SUISSE)’s philosophy – which makes its clients top priority – aims to offer services that reflects clients’ needs. If this is not possible, however, clients may address their comments and complaints in writing directly to their personal financial advisor, specifying the subject matter and providing their contact details and account number, so that a solution can be found. The Bank undertakes to respond as soon as possible.

If an agreement cannot be reached, clients have the option of contacting the Swiss Banking Ombudsman, a neutral and free mediation body, at the following address.

Swiss Banking Ombudsman
 Bahnhofplatz 9
 CH-8021 Zurich
www.bankingombudsman.ch

IMPORTANT LEGAL INFORMATION

This leaflet has been created exclusively for clients of BPS (SUISSE), Switzerland.

BPS (SUISSE) assumes no responsibility for the suitability, accuracy, completeness or correctness of the content of this leaflet as, in particular, specific details may be amended after its publication.