



FINANCIAL SERVICES ACT

(FinSA)

BROCHURE

FOR CLIENTS

INTRODUCTION

The purpose of this brochure is to provide essential information on the Federal Act on Financial Services (FinSA) and its implementing ordinance (FinSO), which entered into force on 1 January 2020.

The main objective of this new legislation is to improve investor protection by, on the one hand, codifying rules that financial service providers, such as Prime Partners S.A., Geneva, (PPSA), have been applying for a long time under different laws and regulations and, on the other hand, introducing some new rules that did not exist until now.

Secondly, this law seeks to harmonise all the rules that financial services providers will henceforth have to observe in their relations with their investor clients.

In this brochure, PPSA attempts to outline these new legal standards applicable to its clients; they essentially concern the rules that lawmakers have brought together under the generic title "code of conduct" and the new obligation to classify clients.

Further information can be obtained from your client advisor, who will be happy to comment on this brochure and answer any questions you may have.

This brochure is provided EXCLUSIVELY for information purposes and legal requirements, and can IN NO EVENT be considered as a marketing document. It does not constitute a solicitation or offer of financial services or a recommendation to buy or sell any financial instrument.

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CODE OF CONDUCT

1. Compliance with obligations under supervisory law

As a provider of financial services, PPSA must comply at all times with the following obligations under supervisory law when providing financial services.

2. General information (Articles 8 (1) FinSA as well as 6 FinSO)

PPSA is required to provide its clients with the following general information:

2.1. Information on PPSA, its contact details, its scope of activity and the supervisory regime to which it is subject

PPSA is a public limited company under Swiss law registered in the Commercial Register of the Republic and Canton of Geneva (Switzerland).

Since its founding in 1998, PPSA has offered discretionary asset management and investment advisory services to Swiss and foreign clients, as well as related services (in particular portfolio analysis, financial research and the offering of financial instruments).

Since 1 January 2020, it has been subject to the Financial Institutions Act (FinIA), of which the implementation deadline is 31 December 2022. As such, PPSA will file an application with FINMA (the independent Swiss financial market supervisory authority) (Laupenstrasse 27, CH - 3003 Bern, Tel.: +41 31 327 91 00) for a licence as a "Portfolio Manager" within the meaning of Articles 17 et seq. of the FinIA.

The Supervisory Organisation (SO), to which PPSA is to be subject pursuant to Article 43a of the Federal Financial Market Supervision Act (FINMASA), will be selected at the same time.

PPSA has its registered office at rue des Alpes 15, P.O. Box 1987, 1211 Geneva 1, Switzerland

Its contact details are as follows:

Tel.: +41 22 787 06 80

Fax: +41 22 787 06 90

Website www.prime-partners.com

PPSA's share capital is wholly owned by its current or former executives, including its founding members. They are all Swiss nationals and domiciled in Switzerland.

They all have training and experience that very easily meet the requirements of the FinIA and the FinSA, and more specifically Article 6 of the FinSA ("required knowledge"). They are multilingual, the most commonly spoken languages being French, English, Spanish, Portuguese, German and Chinese.

PPSA is notably a 100% shareholder of PPSA (Europe) Investment Consulting SCI, whose registered office is in Lisbon (Portugal) and which holds a licence in investment consulting.

For more information, please visit the PPSA website www.prime-partners.com

2.2. Communication to the client of the possibility, in the event of a conflict with PPSA, of initiating mediation proceedings with an ombudsman approved by the Federal Department of Finance

Articles 74 et seq. of the FinSA and 99 et seq. of the FinSO provide that financial service providers such as PPSA must be affiliated with an ombudsman. Disputes between a financial service provider and a client can therefore be settled through mediation, although this does not rule out legal proceedings. The mediation process is fast, impartial and inexpensive for the client.

PPSA is affiliated with the following ombudsman:

Name: SCAI Swiss Chamber's Association Institution

Address: c/o Geneva Chamber of Commerce, Industry and Services

Full contact details: 4, Boulevard du Théâtre, P.O. Box 5039, CH - 1211 Geneva 11

Tel.: +41 22 819 91 57

www.swissarbitration.org

2.3. Information that must be communicated to the client on the general risks associated with financial instruments

Investing in financial instruments (such as equities, bonds, collective investment schemes and structured products) offers potential rewards but comes with inherent risks. It is essential that clients understand the general risks associated with the financial instrument in which they are investing.

PPSA's range of financial instruments and services is subject to the regulations applicable in each client's country of residence and may therefore not necessarily be accessible (in part or in full) to all clients.

The brochure "Risks Involved in Trading Financial Instruments" issued by the Swiss Bankers Association (SBA) is the reference document on this subject and contains general information on current financial services as well as on the characteristics and general risks of financial instruments.

This brochure is available on the SBA website:

<https://www.swissbanking.ch/fr/telechargements>

It can also be obtained from your client advisor.

You are strongly advised to read this document.

3. Specific information on the financial services offered by PPSA and the related risks (articles 8 (2) (a) FinSA and 7 FinSO)

PPSA mainly offers the following financial services:

- **Discretionary asset management** which consists of the client, on the basis of a written management mandate, delegating to PPSA the task of making investment decisions relating to their assets, which are deposited with a bank, after first assessing with the manager their training and experience, financial situation, investment objectives and risk appetite. The client retains the option to issue specific instructions.

It is the manager's responsibility to present to the client the risks to which the proposed investment strategy will expose the client's assets.

The various strategies and inherent risks can be summarised as follows:

Investment objectives	Level of volatility Historic average	Corresponding investment strategy
Protect capital and accept low returns	Limited volatility	Defensive (return)
Seek a balance between capital growth and an average return	Average volatility	Balanced
Favour capital growth	High volatility	Dynamic (growth)

- **Portfolio investment advice** which consists of the client, on the basis of a written mandate, requesting investment advice from PPSA in relation to their entire portfolio with a view to subsequently making the investment of their choice on their own initiative: in this case, the responsibility for the quality of the advice provided lies with PPSA and the responsibility for the investment decision lies exclusively with the client.

For the full duration of the mandate, PPSA verifies that the strategy chosen by the client is appropriate for the risk level of the client's portfolio (see table above).

Consequently, whenever it issues investment advice, PPSA endeavours to provide the client with information about the risks associated with the financial instruments to be acquired or disposed of taking into account the chosen strategy, their characteristics, expected returns, costs and their performance over time. It documents its advice by providing the client with, among other things, basic information sheets (BIFs) or prospectuses or summaries thereof.

Under a discretionary management mandate, PPSA does not provide these documents to the client.

Your client advisor is available to explain the scope of these two documents.

- **Creation of in-house structured products**

On an ancillary basis, PPSA can work with financial institutions to create structured products to meet specific investment needs.

PPSA does not offer:

- investment advice for individual transactions that does not take into account the client's entire portfolio;
- execution-only mandates;
- and has no activities of its own in the field of collective investment schemes.

4. Cost information (Article 8 (2) (a) FinSA and 8 FinSO)

a. When PPSA negotiates entering into a business relationship with the client There

are three cost elements to consider:

- **PPSA's management or consulting fees**

As remuneration for the discretionary asset management mandate or portfolio related investment advisory mandate, PPSA will receive quarterly fees agreed with the client.

These fees are debited directly from the client's bank account under the terms and conditions agreed between the client and its custodian bank.

- **Administrative costs, transaction or intermediation fees, and custodian bank custody fees**

With the support of PPSA, the client will negotiate these custodial fees and charges with the custodian bank in accordance with the custodian bank's fee schedule.

Many banks offer a "flat fee" system with or without a "ticket fee", which makes it easier for the investor to understand the costs involved.

- **Stamp duty, VAT and other taxes**

These are charged to the client and debited directly from the client's bank account. PPSA will communicate the rate to the client.

When PPSA is called upon to provide BIFs and prospectuses as part of a portfolio-related investment advisory mandate, it will inform the client concerned of the cost of the recommended financial products contained in one of these two documents.

b. After entering into a business relationship

It is only as the business relationship with PPSA develops that the client builds up an accurate overview of the costs resulting from the management or advisory mandate conferred upon PPSA, notably by receiving:

- Transaction notifications from the custodian bank;
- Notifications of fees collected by PPSA;
- Reports that PPSA will send at the client's request under Articles 16 FinSA and 19 FinSO.

5. Information on PPSA's economic relations with third parties regarding the financial services it offers (Articles 8 (2) (b) FinSA and 9 FinSO) and conflicts of interest (Articles 25 to 27 FinSA)

5.1. Information to be provided by PPSA

PPSA shall inform its client about its economic links with third parties, insofar as these links may give rise to a conflict of interest in relation to the financial service provided.

5.2. Description of the conflict of interest

A conflict of interest exists when PPSA's interests conflict with those of the client. If nothing is done to manage this conflict, the client may be at a financial disadvantage.

5.3. Types of conflict of interest

Here are a few examples:

- PPSA's relationships (e.g. service, collaboration or revenue-sharing agreements) with issuers of financial instruments that are offered or recommended to clients;
- receipt of remuneration from third parties (for more information on this issue, see section 6 "Remuneration" below);
- PPSA's own interests in connection with the sale and trading of financial instruments issued by an affiliated entity;
- within the framework of transactions carried out for its own account, misuse by PPSA employees of information which they only have access to because of their role.

5.4. Identifying conflicts of interest

As a first step, PPSA strives to regularly and correctly identify conflicts of interest in order to manage them in the best possible way.

5.5. Avoiding, managing and mitigating conflicts of interest

To avoid, manage and mitigate conflicts of interest, PPSA has established minimum standards that employees are required to observe at all times (e.g. organisational procedures to protect clients, rules applicable to proprietary transactions by employees, identification of all agreements PPSA has entered into with third parties, approval and review processes for external mandates and transparent client information).

5.6. Monitoring conflicts of interest

Through the Internal Audit, Risk and Compliance functions, PPSA carries out various checks within its business units to ensure that its policy and measures relating to conflicts of interest are adequate and implemented.

5.7. Information on potential conflicts of interest and consent to resolution

If the measures implemented do not prevent a disadvantage for the client or if the effort required to do so is disproportionate, PPSA will inform the client in an appropriate manner about the circumstances giving rise to the conflict of interest, the resulting risks and the measures it has taken to try to reduce this risk.

6. Remuneration

6.1. Remuneration paid by custodian banks to independent portfolio managers

For several years now, PPSA has had internal regulations in place that are similar to those set out in Article 26 (1) FinSA. As a result, PPSA itself no longer receives any remuneration from custodian banks.

6.2. Remuneration paid by third-party providers of collective investment schemes and structured products

Through provisions contained in the discretionary management mandate and the portfolio-related investment advisory mandate, PPSA has regulated the management of this remuneration for several years so as to ensure that it does not lead to a conflict of interest with the client.

However, PPSA has revised its mandate contracts so that they better reflect the rule laid down in Article 26 (1) FinSA.

7. Information on the market offer taken into consideration (Articles 8 (2) (c) FinSA and 10 FinSO)

The financial services provider shall inform the client whether the market offer taken into consideration when selecting financial instruments consists solely of its own financial instruments or also includes third-party financial instruments. The phrase "own financial instrument" means one issued by the financial service provider itself, or one issued or offered by an undertaking having close links with the financial service provider within the meaning of Article 10 (3) FinSO.

PPSA is not in this position. As a matter of fact, it works mostly in open architecture, offering only third-party financial instruments, notwithstanding certain specific structured products that it creates in collaboration with specialised financial institutions.

While PPSA considers a wide range of options when recommending financial instruments, it does not analyse the entire market. It may thus consider only a selection of third-party financial instruments rather than their entire range.

8. How and when information is communicated (Articles 9 FinSA and 13 to 15 FinSO)

PPSA communicates the information referred to in sections 1 to 7 above to its clients before entering into a discretionary management mandate contract or an investment advisory mandate and before providing a financial service.

The information is made available to the client in a standardised form on paper and/or electronically.

9. Appropriateness and suitability of financial services (Articles 10 to 14 FinSA and 16 and 17 FinSO)

9.1. The principle

A financial service provider providing investment advice or discretionary asset management services shall verify the appropriateness and suitability of its services. This verification must be carried out when the business relationship is entered into and for the duration thereof.

Accordingly, PPSA, which provides asset management and portfolio-related investment advisory services, must acquire information:

9.1.1 on the client's "knowledge" and "experience" (**APPROPRIATENESS** of a financial service)

To establish the client's level of "knowledge", PPSA can take into account the client's level of education and general knowledge of financial markets and products. "Experience" must be established retrospectively by verifying whether the client has acquired some experience in the past in trading in the same type of financial instruments.

9.1.2 **and** on the client's "financial situation" and "investment objectives" (**SUITABILITY** of a financial service)

Information on "financial situation" means:

- the origin and amount of the client's regular income;
- the client's moveable, immovable or business assets;
- the client's current and future financial commitments;
- the client's financial capacity to take risks.

Information on "investment objectives" covers:

- the time horizon;
- the purpose of the investment;
- the client's subjective risk tolerance;
- any investment restrictions.

9.2. PPSA has designed a CLIENT INVESTMENT PROFILE (CIP) in which all the above information will be collected as long as it is deemed to be sufficiently comprehensive

Based on this CIP, PPSA will determine, together with the client, the investment strategy for a discretionary asset management mandate or a portfolio-linked investment advisory mandate.

9.3. By law, PPSA is entitled to rely on the information provided to it by the client and collected in the CIP, unless there are indications that this information is not accurate. Where this is the case, it will inform the client accordingly.

The client is strongly advised to inform PPSA immediately of any change in situation that results in the information contained in the CIP no longer being correct.

9.4 It is [explained below in the "Client classification" section that this requirement to verify the appropriateness and suitability of financial services and instruments does not apply to "institutional clients" and only applies partially to "professional clients"](#).

10. Documentation and rendering of account (articles 15, 16, 72 and 73 FinSA and 18 and 19 FinSO)

PPSA is required to document the agreed financial services and the information collected about the client.

In the case of portfolio-related investment advice, PPSA also documents the client's needs and the reasons for each tailored recommendation, including the BIFs or prospectuses or summaries thereof presented to the client.

At the client's request, PPSA will send the above-mentioned documentation to the client. Also at the request of the client, PPSA reports to the client on the execution of the mandate in the forms provided for by law.

11. Transparency and due diligence in relation to client orders (Articles 17 and 18 FinSA and 20 and 21 FinSO)

11.1. [Processing client orders](#)

When processing client orders, PPSA applies the principles of good faith and equal treatment.

11.2. [Optimal execution of client orders](#)

When executing client orders, PPSA ensures the best possible result in terms of price, cost, speed and quality.

CLIENT CLASSIFICATION

1. Obligation to classify clients

By law, PPSA must classify the persons to whom it provides financial services in one of three categories:

1.1. [Institutional clients](#)

"Institutional clients" are:

- financial intermediaries subject to the Banking Act (BA), the Financial Institutions Act (FinIA) and the Collective Investment Schemes Act (CISA);
- insurance undertakings covered by the Insurance Supervision Act (ISA);
- foreign clients subject to prudential supervision like the above-mentioned companies;
- central banks.

1.2. [Professional clients](#)

The following are classified as "professional clients":

- all institutional clients;
- public entities with professional treasury operations;
- occupational pension schemes;
- companies with professional treasury operations;
- large companies provided they meet certain criteria;
- private investment structures with professional treasury operations created for high-net-worth retail clients.

1.3. [Retail clients](#)

All clients who do not fall into the category of "institutional clients" or "professional clients".

PPSA classifies all clients as "retail clients" unless "per se" they fall into one of the other two categories, or they have been recognised as "high-net-worth retail clients" and have specifically requested to be classed as "professional clients" ("opting out", see below).

2. **Why a client classification system?**

Classifying clients into three categories allows us to determine their level of protection.

2.1. [Institutional clients](#)

Institutional clients have knowledge and experience comparable to those of financial service providers. Their financial standing is often substantial.

This is why lawmakers provided that the "code of conduct" described above would not apply to financial services offered to an "institutional client".

2.2. [Retail clients](#)

Lawmakers intended to give "retail clients" the greatest possible protection by requiring financial service providers, such as PPSA, to comply fully with the "Code of conduct" explained above when offering financial services to this category of clients.

2.3. [Professional clients](#)

Given their knowledge, experience and ability to withstand losses, professional clients are considered sophisticated clients and benefit from a lower level of protection than retail clients.

This gives them access to a broader investment universe, including financial products that are strictly reserved for them.

They may also waive the application of the "Code of conduct" contained in Articles 8 and 9 (information), 15 (documentation) and 16 (rendering of account) of the FinSA, which have been commented on above.

Similarly, as regards the obligation to verify the appropriateness and suitability of the financial services offered, PPSA, by law, may assume that "professional clients" have the required knowledge and experience, and that they can take on the investment risks associated with the financial services intended for them.

3. *Opting in and opting out*

The three client categories described above are not completely separate from one another.

Some clients may seek stronger legal protection by "opting in". This occurs when a "professional client" asks to be classified as a "retail client" or an "institutional client" asks to be classified only as a "professional client".

Conversely, some clients seek more flexible legal protection by "opting out". This occurs when a "professional client per se" asks to be placed in the "institutional client" category.

A "retail client" can also request to be classified as a "professional client" (opting out), provided that they have provided proof that they are a "high-net-worth retail client".

To be eligible for this status, the client must meet one of the following two legal requirements:

- either the client has the knowledge to understand investment risks as a result of their personal training and professional experience or comparable professional experience, **as well as** eligible assets of at least CHF 500,000;
- or the client has eligible assets of at least CHF 2 million.

Direct investments in real estate, as well as assets from occupational pension schemes and social insurance benefits are not included in the calculation of eligible assets.

4. *Form that the opting-in or opting-out choice should take*

It must be made in writing. Any subsequent changes must be expressed in the same form.

PPSA provides its clients with a set of standard opting-in and opting-out declarations.

In addition, your Client Advisor is available to explain the content of these statements and answer your questions regarding client classification.

THE QUALIFIED INVESTOR UNDER THE COLLECTIVE INVESTMENT SCHEMES ACT (CISA)

Under this act, "institutional clients" and "professional clients" are classified as "qualified investors" from the outset.

A "retail client" to whom a financial intermediary provides financial services in the context of a discretionary asset management mandate or a financial services investment advisory mandate is classified as a "qualified investor" unless the client has declared in writing that they wish to waive this status. PPSA must inform the "retail client" who has opted for "qualified investor" status of the risks involved.

The status of "qualified investor" relates only to the CISA and should not be confused with the classification of clients under the FinSA.

LEGAL NOTICES

This brochure has been designed exclusively for the clients of PPSA, Switzerland.

It has undergone a thorough legal audit. However, PPSA accepts no responsibility for the completeness and accuracy of the contents of this brochure as, due to new legislation, certain information or interpretations may have changed since its publication.