Basler Kantonalbank

Information on the Swiss Federal Financial Services Act (FinSA)

The Swiss Federal Financial Services Act (FinSA) came into effect on 1 January 2020. This law firstly aims to improve client protection and, secondly, to create comparable regulatory framework conditions for the rendering of certain financial services by various financial services providers (banks, asset managers, etc.).

In this context, the focus is placed on rules of conduct that financial services providers must comply with in relation to their clients when rendering financial services in the field of investment (hereinafter "financial services"). These supplement the provisions of the Civil Code relevant to the contractual relationship between clients and Basler Kantonalbank (hereinafter "BKB").

Financial services are considered to be (i) the purchase and sale of financial instruments, (ii) the receipt and transfer of instructions relating to financial instruments, (iii) the management of financial instruments (asset management), (iv) the issuing of personal recommendations relating to transactions with financial instruments (investment advisory service) and (v) the granting of loans for the execution of transactions with financial instruments.

There was a generally applicable two-year transition period for compliance with the FinSA rules of conduct. BKB has been complying with the rules of conduct since 1 January 2022 at the very latest.

This FinSA-related document is intended to provide BKB's clients with information on how this new legislation affects BKB's client relationships.

1. General information about Basler Kantonalbank

a) Presentation

Since its foundation in 1899, BKB has been deeply rooted in the Basel region and today operates primarily as a universal bank in north-western Switzerland. It not only serves its clients through a tight-knit network of state-of-the-art branches based in Basel, but also through digital channels which make it possible to carry out many types of banking transaction independently of location and time. Client needs are fully covered by a wide range of products and services, in particular in the areas of investments and financing. The SME centre's specialists address the wishes and concerns of small or medium-sized enterprises.

Similarly, a comprehensive portfolio of services for high-net-worth individuals, large corporate clients as well as institutional investors and other banks can be found at BKB, all from a single source. BKB has a state guarantee. It is regularly assessed by rating agencies. Details can be found on its website. Group BKB includes Bank Cler Ltd, which, being a digital bank with a physical presence in urban areas, is an ideal complement to BKB on the Swiss market. In terms of total assets, Group BKB is one of the ten largest Swiss banking groups.

b) Contact, legal form and regulatory status

BKB's head office is at the following address: Aeschenvorstadt 41, 4051 Basel, Switzerland.

Pursuant to the BKB Act, Basler Kantonalbank is organised in the legal form of a public-law entity under the cantonal public law of the Canton of Basel-Stadt. It is regulated by the Swiss Financial Market Supervisory Authority (FINMA) with the following postal address:

Swiss Financial Market Supervisory Authority FINMA
Laupenstrasse 27
3003 Bern
Switzerland

Further information on how BKB is organised and structured can be found on our website (www.bkb.ch/BaslerKantonalbank/Ueber-uns – only available in German).

2. Financial services of BKB and the use of its own and third-party financial instruments

BKB offers its clients various financial services. It thus provides assistance to its clients in achieving their goals. To this end, BKB develops customised concepts and offers comprehensive asset management and investment advisory services for all groups of clients. These include Private Clients, Business Clients and Private Banking Clients (the required regulatory client segmentation can deviate from these terms or classifications; see Section 4). The range of services also includes the execution of client orders on an execution-only basis.

As part of the financial services offered, financial instruments (investment funds, structured products, etc.) from

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third parties (third-party financial instruments) are used and recommended alongside BKB's own financial instruments. BKB's own financial instruments are those that are issued, created or managed by BKB or a BKB Group entity or established and managed by third parties on behalf of BKB, especially also the BKB investment funds (in-house financial instruments). The offer, recommendation or use of BKB's own financial instruments can lead to a conflict of interest for BKB.

The details are listed in the information sheet "Financial services of Basler Kantonalbank and the use of its own and third-party financial instruments" as well as in the information sheet "Information on the handling of conflicts of interest". The current versions of these are available on the website of BKB (Financial Services Act (FinSA) – Basler Kantonalbank) and can also be obtained from the Bank.

3. Types of financial instruments and their characteristics and risks

There are various types of financial instrument. Trading with them involves financial risks. These risks can vary greatly depending on the type of financial instrument. To provide information on which types of financial instrument exist, what characteristics they have and the risks associated with each one, BKB makes the brochure "Risks Involved in Trading Financial Instruments" published by the Swiss Bankers Association (hereinafter "SBA") available to its clients. BKB can also provide additional information brochures and fact sheets on how the financial instruments (such as equities, bonds, structured products, etc.) belonging to the various product classes work and the risks involved. Information about the characteristics and risks with regard to specific financial instruments can be found, in particular, in the statutory Key Information Documents (KID) or equivalent documents, where these are required for certain types of financial instrument.

The SBA's brochure can be downloaded at Trading activities – Basler Kantonalbank (only available in German)

4. Client categorisation

In the context of the delivery of financial services, FinSA imposes an obligation to categorise clients. For this reason, BKB assigns its clients to the three categories of "Private Clients", "Professional Clients" and "Institutional Clients". Under certain circumstances, BKB is required to request information from its clients to enable itself to perform a mandatory assignment to one of the statutory categories.

The aforementioned client categories essentially differ as follows:

a) Private Clients

Private Clients are generally deemed to be all clients who are not Professional or Institutional Clients. In contrast to those clients belonging to the two other categories, more extensive client protection regulations are in place for Private Clients. These regulations specifically include duties to provide information and rules of conduct relating to reviewing suitability and appropriateness, which a financial services provider must comply with.

b) Professional Clients

In addition to Institutional Clients (letter c below), Professional Clients are also considered to be pension institutions and institutions for the purpose of occupational retirement benefits, with a professional treasury function (particularly pension funds), corporations established under public law as well as institutions and foundations with a professional treasury function, companies with a professional treasury function and major companies (which exceed two of the following thresholds: total assets of 20 million CHF, revenue of 40 million CHF or equity of 2 million CHF) and private investment structures with a professional treasury function created for high-net-worth individuals. Less extensive client protection regulations are in place for Professional Clients than for Private Clients.

c) Institutional Clients

Certain Professional Clients are deemed to be Institutional Clients and are treated as a separate client category. These are regulated financial intermediaries (e.g. banks or regulated asset managers), regulated insurance institutions, central banks and national and supranational public bodies with a professional treasury function. The clients assigned to this category are not subject to the FinSA rules of conduct as they typically do not require any protection, on account of their structure, experience and financial resources.

d) Change in client category

High-net-worth individuals and private investment structures created for them may declare in writing to BKB their wish to be treated as Professional Clients (opting-out) if they either (i) have assets of at least 500,000 CHF and, due to their personal training and professional experience or due to comparable experience in the financial sector, have the knowledge required to enable them to understand the investment risks or (ii) have assets of at least 2 million CHF at their disposal.

Attributable financial investments are deemed to be bank deposits, securities, stock rights including securities, collective investment schemes and structured products, derivatives, precious metals, life insurance policies with a surrender value and fiduciary deposits. Non-attributable financial investments are specifically deemed to be direct

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investments in real estate and social security entitlements or occupational pension credits.

Professional Clients (who are not Institutional Clients) may declare that they wish to be treated as Private Clients with regard to their business relationship with BKB (opting-in).

Institutional Clients may declare that they wish to be treated only as Professional Clients.

Your client advisor will explain the exact details and consequences of any change in client category.

e) Interaction of client categorisation pursuant to FinSA and CISA
The Collective Investment Schemes Act (hereinafter "CISA") primarily contains product-specific provisions in connection with collective investment schemes.

FinSA contains mandatory rules of conduct with regard to the client. The provisions on the categorisation of clients as non-qualified or qualified investors pursuant to the CISA primarily make reference to the FinSA definitions for client categorisation.

Clients who have entered into a long-term investment advisory or asset management relationship with BKB in writing or in any other form that can be verified in writing will be deemed qualified investors as defined by the CISA, irrespective of their categorisation under FinSA. Such a categorisation gives rise to additional opportunities but, at the same time, also to additional risks. Categorisation as a qualified investor makes it possible to purchase financial instruments with higher levels of risk. For example, an investment advisory or asset management relationship makes it possible for qualified investors to also buy into foreign collective investment schemes or structured products that entail higher risk. A client wishing to waive the status of "qualified investor" must state this in writing. The associated categorisation as a non-qualified investor means, however, that any investments reserved exclusively to qualified investors must be sold.

5. Suitability and appropriateness review

In the case of asset management and investment advisory services, financial services providers are required under FinSA to perform a suitability or appropriateness review. The review is based primarily on the details provided to BKB by the client. Whether and to what extent a suitability or appropriateness review must be carried out depends on a client's allocation to a specific client category (see Section 4) and on the type of financial service to be provided (transaction-related investment advisory service, portfolio-related investment advisory service or asset management). As a result, no appropriateness or suitability reviews are legally required for Institutional Clients, whereas the investment objectives of Professional Clients only have to be recorded as part of a simplified suitability review with regard to portfolio-related investment advisory services or asset management. BKB reserves the right, at its own discretion, to deviate from simplifications provided by law in the review of appropriateness or suitability and to then perform such a review together with the client if this is not required by FinSA. Alternately, the client can waive, or has waived, such a review in full or in part.

a) Appropriateness review
An appropriateness review must be carried out for Private Clients according to FinSA if BKB provides recommendations with regard to individual transactions without taking the client portfolio into account (known as a transaction-related investment advisory service). Based on the client's knowledge and experience, an assessment is then made as to whether the financial instruments forming the subject matter of an investment advisory service are appropriate for the client. A financial instrument is deemed appropriate if the client understands how it operates and the consequences of its purchase. If a client does not yet have sufficient knowledge or experience with regard to certain financial instruments, BKB will provide the client with the corresponding information.

If BKB comes to the conclusion that a financial instrument is not appropriate for the client, it advises the client against the instrument before providing the service.

If the information received by BKB from the client is not sufficient to perform an appropriateness review, BKB will point this out to the client prior to executing a corresponding transaction. In such a case, the client bears sole responsibility for the transaction.

b) Suitability review
When providing investment advisory services relating to a specific client portfolio (known as a portfolio-related investment advisory service) or as part of an asset management mandate, BKB, as required by FinSA, reviews, for both Private Clients and Professional Clients, whether the desired or recommended financial service or the financial instruments to be recommended or used are suitable for that client. For this purpose, BKB asks Private Clients about their individual knowledge and experience, their financial situation (specifically relating to assets, the origin and amount of any regular income and any obligations) as well as their investment objectives (details on time horizon and purpose of the desired investment, risk capacity and risk appetite and any investment restrictions). In the case of Professional Clients, the suitability review is limited to determining the investment objectives.

Based on this information, BKB creates a risk profile together with the client and defines an investment strategy

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with them. These form the basis for a specific investment advice or asset management mandate.

In the case of Private Clients, a lack of knowledge and experience with regard to certain types of financial instruments is compensated by providing them with information.

If BKB comes to the conclusion that a financial instrument is not suitable for the client, it advises the client against the instrument before providing the service.

If the information received by BKB from the client is not sufficient to perform a suitability review, BKB will point this out to the client prior to providing a corresponding service, namely executing a transaction. In such a case, the client bears sole responsibility for the transaction.

6. Prices and fees

BKB charges fees for its financial services. These depend on the nature and scope of the financial services. **The relevant current versions of the price overviews can be found on the BKB website (Terms and conditions and interest rates for Private Clients – Basler Kantonalbank. Only available in German).** The client advisors will be happy to provide you with more detailed information.

7. Execution of client orders

In order to meet the requirements for the best possible transparency towards clients in the execution of client orders for the purchase or sale of financial instruments, financial services providers must comply with or define certain principles.

BKB ensures that the best possible result is achieved with regard to financial outcome, timing and quality in the execution of client orders (known as "best execution"). With regard to financial outcome, it is not only the price for the respective financial instrument that is taken into consideration, but also the costs associated with execution of the order and remuneration from third parties.

The principles are set out in a "Best Execution" policy and the current version is available on the BKB website (Financial Services Act (FinSA) – Basler Kantonalbank).

8. Organisational measures

Conflicts of interest can occur in the course of a bank's business activities. BKB operates its business activities in such a way that the interests of the Bank and its employees do not conflict with the interests of clients.

BKB uses the information sheet "Information on the handling of conflicts of interest" to inform its clients about the handling of conflicts of interest as well as measures selected to avoid and disclose residual conflicts of interest, including when providing financial services and selecting financial instruments with reference to economic links, third-party payments and the use of in-house financial instruments.

The current version of the information sheet "Information on the handling of conflicts of interest" is available on the BKB website (Financial Services Act (FinSA) – Basler Kantonalbank) and can also be obtained from the Bank.

With regard to third-party payments, BKB discloses the subject matter and percentage ranges in the "Third-party Payments" information sheet. The information sheet is an integral part of the Safe Custody regulations.

In accordance with the corresponding provision in the Safe Custody regulations, the client acknowledges and agrees that BKB will retain the third-party payments it receives. The client waives receipt of possible third-party payments in the knowledge of the third-party payments mentioned in the information sheet. Individual agreements deviating from this, such as in investment advice agreements or asset management contracts, take precedence.

The current versions of the "Third-party Payments" information sheet and the Safe Custody regulations are available on the BKB website (Trading activities – Basler Kantonalbank. Only available in German) and can also be obtained from the Bank.

9. Ombudsman

If BKB rejects a claim asserted against the Bank by a client, the client is entitled to initiate a mediation procedure with the Swiss Banking Ombudsman, Bahnhofplatz 9, P.O. Box, CH-8021 Zurich (www.bankingombusman.ch). This procedure is free of charge for the client concerned and is intended to settle disputes regarding legal claims through mediation.

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