



Vontobel

Information regarding Transaction Banking and cosmofunding

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Introduction

This brochure contains important information relating to the Swiss Financial Services Act (FinSA). It outlines the implementation of regulatory requirements by Bank Vontobel AG (Vontobel) in its Transaction Banking and cosmofunding units

FinSA is the Swiss regulatory framework for financial services provided in or from Switzerland. It is primarily intended to enhance investor protection and create equal regulatory conditions for providing financial services. With this in mind, FinSA stipulates the requirements for providing financial services (code of conduct) as well as the internal organisation of financial services providers (organisational measures) in particular. The level of client protection is graded according to the segment to which the client is assigned.

Vontobel will make this brochure available to clients before providing any financial services. The brochure is intended for information and regulatory purposes only, is not exhaustive and is not designed to provide detailed information on any investment activities that form part of the service we offer. This brochure is updated from time to time. The most recent and currently valid version is available at vontobel.com/fidleg or upon request.

If you require any further information, please consult our FinSA website (vontobel.com/fidleg). Please contact your relationship manager if you have any other questions.

Information relating to MiFID II and the FCA rules

This brochure contains important information relating to the EU Markets in Financial Instruments Directive II (MiFID II) and the rules, guidelines, instructions and other provisions of the UK's Financial Conduct Authority (FCA) as set out in the FCA Handbook (FCA rules). For European financial markets, MiFID II largely corresponds to FinSA in Switzerland. The aim of MiFID II is to enhance investor protection and improve the functionality of financial markets in Europe by making them more efficient, resilient and transparent.

If you fall within the scope of MiFID II, you do not lose any of your existing investor protection applicable under MiFID II. If you are protected by MiFID II and FinSA, both sets of regulations apply in parallel and independently of one another. If the level of protection offered to a client differs between FinSA and MiFID II, the higher level of protection prevails.

If you fall within the scope of the FCA rules, we will apply FinSA as well as the equivalent MiFID II rules.



General information

Bank Vontobel AG, with its registered office in Zurich, is a wholly-owned subsidiary of Vontobel Holding AG, Zurich, and is licensed as a bank and securities firm regulated by the Swiss Financial Market Supervisory Authority FINMA, Laupenstrasse 27, 3003 Berne. Vontobel is a member of the Swiss Bankers Association and part of the Swiss Banks' and Securities Firms' Deposit Protection Scheme. For more information about the degree of protection provided by this deposit protection, please visit the website of the Swiss Banks' and Securities Firms' Depositor Protection Association (esisuisse.ch).

Client segmentation

Description of client segments

As a financial service provider, Vontobel is legally obliged to allocate its clients into one of the following three segments: retail clients, professional clients and institutional clients. The level of regulatory protection assigned to each client category by law depends on the segment knowledge and investment experience each client is assumed to have:

- **Retail clients:** Retail clients are all clients who are not deemed to be professional or institutional clients. FinSA grants retail clients (which it refers to as 'retail clients') the highest level of regulatory protection. It requires financial service providers to meet extensive obligations to inform these clients of product risks (e.g. Key Investor Information [KID]) before they can provide a service or execute a client order.
- **Professional clients:** Professional clients are experienced investors such as occupational pension schemes or companies with professional treasury operations. Professional clients have access to a broader investment universe than retail clients. Vontobel may assume that professional clients have the required level of knowledge and experience and can financially bear the risks associated with the financial service. As a result, professional clients enjoy a lower level of investor protection.
- **Institutional clients:** Certain professional clients, such as regulated financial intermediaries, insurance companies and central banks, are defined as institutional clients and are treated as a separate client segment. Like professional clients, institutional clients also have access to a broad spectrum of financial instruments. As it is assumed that they have extensive knowledge and experience as well as the ability to bear losses, they are subject to the lowest level of investor protection requirements.

If you do not agree with the client segmentation proposed by Vontobel, you can request a change provided that you meet the necessary legal requirements.

Changes to client segmentation

If clients meet the necessary legal requirements, they can request a change to the client segmentation proposed by Vontobel at any time.

- **Professional clients:** Occupational pension schemes and institutions whose purpose is to serve occupational pensions and with professional treasury operations as well as companies with professional treasury operations may declare in writing that they wish to be treated as institutional clients (“opting out”); all professional clients who are not deemed to be institutional clients may declare in writing that they wish to be treated as retail clients (“opting in”).
- **Institutional clients:** Institutional clients may declare in writing that they wish to be treated as professional clients (“opting in”).
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- **Retail clients:** High-net-worth retail clients and the private investment structures created for them may declare in writing that they wish to be treated as professional clients (“opting out”) provided that the requirements of FinSA are met. Generally speaking, Vontobel’s cosmofunding and Transaction Banking units provide financial services to professional and institutional clients. Please contact your relationship manager if you decide to be classified as a retail client.

Please contact your relationship manager if you wish to make use of the option to “opt in” or “opt out”.

Information relating to MiFID II and the FCA rules

Vontobel allocates its clients into three segments in accordance with MiFID II requirements: retail clients, professional clients and eligible counterparties. The level of regulatory protection assigned to each client category by MiFID II depends on the client’s knowledge of the relevant category and the investment experience the client is assumed to have. If clients meet the necessary legal requirements, they can request an adjustment to their client segmentation at any time.

If Vontobel establishes that a client no longer meets the criteria for the MiFID II investor protection category originally assigned to them, Vontobel will adjust their client segmentation independently. The client in question will be informed immediately in such cases. Each resegmentation applies to those services (Transaction Banking and /or cosmofunding) for which it is applied. Please note that professional clients are obligated to inform Vontobel about any changes that could affect their segmentation.

If you fall within the scope of the FCA rules, we will apply the equivalent MiFID II rules with regard to segmentation.

Organisational Measures

Financial services

Vontobel's cosmofunding and Transaction Banking units are primarily geared towards professional and institutional clients. Vontobel offers a range of different financial services, particularly execution-only transactions involving financial instruments as well as the acquisition or disposal of financial instruments. We potentially offer different services depending on the domicile and segmentation of the client.

Investment management and advisory services

Vontobel does not carry out any activity relating to the management of financial instruments (investment management) or issue recommendations relating to transactions with financial instruments (advisory services) in its cosmofunding and Transaction Banking units.

Execution-only transactions

Vontobel offers its clients execution-only transactions involving financial instruments.

Acquisition or disposal of financial instruments

Vontobel offers its clients the opportunity to acquire or dispose of financial instruments.

Custody services

Vontobel provides safekeeping services for a large variety of financial instruments worldwide, based on the global Vontobel custody framework.

Appropriateness and suitability assessment

Vontobel does not carry out any appropriateness or suitability assessment when simply executing or transmitting customer orders or providing services relating to the acquisition and disposal of financial instruments.

Best execution of client orders ("Best execution")

"Best execution" is the obligation to take all reasonable steps to obtain the best possible result when either executing transactions on your own behalf or using other affiliates or brokers on your behalf. Vontobel has summarised the principles governing the execution of client orders in its Best Execution and Order Handling Policy. The current version of this Policy is available at vontobel.com or can be provided to you upon request.

Conflicts of interest

Vontobel has taken an array of measures to pre-empt potential conflicts between your interests and the interests of Vontobel, our employees, or other clients. We have summarised these measures in our Conflict of Interest Policy of Vontobel Holding AG. The current version of this Policy is available at vontobel.com or can be provided to you upon request. If the measures taken are not sufficient to avoid conflicts of interest, or if disadvantages to you can only be prevented by a disproportionately high amount of effort, we will disclose this to you in an appropriate way.

Costs associated with financial services

The costs associated with our financial services are detailed in our schedule of fees. Your relationship manager will provide you with a copy upon request.

Disclosure of transactions involving securities and other financial instruments

Vontobel may be obliged to provide its regulators and trading venues with reports on all transactions it has executed with regard to securities admitted to trading. These reports must include identification details of the buyer or seller of these securities and the person placing the order for the transaction. Where such a person is a legal entity, they will have to be reported with their legal entity identifier (LEI).

Information on financial instruments and their risks

Transactions involving financial instruments involve opportunities and risks. What matters is that you understand these risks. A general description of the most important risks associated with the financial instruments we use in connection with our financial services can be found in the annex attached (“Information on risks”). A detailed description of these risks is also included in the Swiss Bankers Association brochure entitled “Risks Involved in Trading Financial Instruments”, which can be downloaded [here](#).

Information relating to MiFID II and the FCA rules

If you are classified as a professional client or eligible counterparty, we assume that you have the required knowledge and experience to understand the risks associated with the recommended services or the management of your portfolio.

The above also applies if you fall within the scope of the FCA rules.



Documentation and rendering of account

Rendering of Account

Statement of assets

On a periodic basis, Vontobel will send you an itemised statement of the financial transactions held in your account/custody account unless you have made a special agreement to the contrary with Vontobel.

Transaction confirmations

Upon execution of a securities transaction on your behalf, Vontobel will send you a confirmation of execution (transaction confirmation). We do not inform you about the execution status before your order is executed unless you have expressly instructed us to do so or if difficulties occur when executing the order.

Other reporting services may be provided depending on the financial instruments or services you have selected as well as your status and applicable reporting regulations.

Recording conversations and electronic communication

Vontobel is obligated to record all electronic communications related to a transaction. We also record communications with clients in certain cases.

This means Vontobel is unable to accept transaction-related conversations with you via channels that it is unable to record (e.g. external instant messaging services). Vontobel also creates minutes of key content of face-to-face transaction-related meetings to ensure the traceability of any recommendations made to you. Records will be stored on a durable medium in a manner that guarantees adequate confidentiality and protection from alteration.

By entering into a business relationship with Vontobel or contacting Vontobel via an electronic channel, you consent to the recording and storage methods described above. You are always entitled to request a copy of your records in exchange for a fee if required.

Language and means of communication

You can communicate with Vontobel in one of the following languages: English, German and French. Subject to availability, contracts and communications as well as any client documents will be provided in the selected language. Generally speaking, we will communicate with you in writing. Orders and other information by telephone, fax or email will be accepted if you agree to communicate using these channels. If you use one of these channels to communicate with us, we reserve the right to contact you in the same way.

Handling complaints

Your suggestions, comments or feedback are best addressed directly to your dedicated relationship manager. If you would like to submit a formal complaint regarding an aspect of your relationship with Vontobel, you may do so in accordance with Vontobel's Complaints Management Policy. You can find information on our process for handling complaints as well as our complaints form at vontobel.com/complaints. If you do not find an amicable solution with Vontobel, you can contact the Swiss Banking Ombudsman with your concerns. The Swiss Banking Ombudsman is the ombudsman's office responsible for complaints against Vontobel in Switzerland and is a neutral source of information and mediator.

Swiss Banking Ombudsman
Bahnhofplatz 9
PO Box
8021 Zurich
Switzerland

bankingombudsman.ch

Contacts

Bank Vontobel AG
Gotthardstrasse 43
8022 Zurich
Switzerland

Annex—Information on risks

Risks associated with the financial services rendered by Vontobel

Vontobel's financial services (and in particular the investment strategies and financial instruments exercised to perform these services) may be associated with risks such as financial, regulatory or reputational risks. General risks may include, but are not limited to, the risks described below.



General risks

Credit risk (incl. counterparty and issuer risk)

Credit risk arises when the counterparty or issuer of a financial instrument (e.g. the issuer of a debt instrument such as a bond or the counterparty to a derivatives transaction) is unable or unwilling to make timely payments (principal or interest payments) when due, or otherwise fails to honour its obligations. This can result in total or partial loss of the invested capital (e.g. if the counterparty becomes insolvent). Certain financial instruments, especially securities, are subject to varying degrees of counterparty and issuer risk, which are regularly reflected in their credit ratings.

Issuer risk is a specific type of credit risk. It refers to the risk that the issuer of a security will become insolvent, in which case the holders of the securities could lose their invested capital. This risk also plays an important role in structured products such as warrants or certificates. Issuer risk depends not only on the financial and economic circumstances involved, but also on the creditworthiness of the issuer, which may be subject to changes in the future.

Limited diversification risk

Limited diversification risk arises when a single financial instrument, a small number of financial instruments or a single asset class makes up a large share of the portfolio. There is also a risk that investments can be concentrated in specific segments, one sector or particular regions and/or at issuer level. This limited diversification risk may increase the risk of loss if the chosen investment strategy does not meet expectations.

Foreign currency/foreign exchange risk

Foreign currency/foreign exchange risk arises if the financial instrument is denominated in a currency other than the defined reference currency of the portfolio (i.e. the investor's base currency). Currency fluctuations can result in losses. Unless otherwise stated in the applicable investment guidelines, Vontobel is not obligated to hedge financial instruments which are not denominated in the reference currency of the portfolio.

Liquidity risk

Liquidity risk arises if the financial instrument cannot be sold at any time at a fair market price. If financial instruments cannot be sold or can only be sold at a sharply reduced price, this is referred to as an illiquid market. Market listings for such financial instruments may be volatile and/or subject to large spreads between bid and ask prices. As a consequence, low liquidity results in an additional discount on the selling or liquidation price.

The risk of illiquidity arises in particular for unlisted or smallcap companies in the event of sales restrictions or for structured products, alternative investments and OTC derivatives (for further information, see "Risk information with regard to specific financial instruments" and "Alternative investment strategies" below).

Market risk

Market risk arises when the value of a financial instrument decreases due to changes in market conditions such as developments in or prospects for the global economy, sectors, industries, individual companies or securities issuers or similar. Even if the markets perform well, there are no guarantees that the financial instruments will participate in or otherwise benefit from these gains.

Risk information with regard to specific financial instruments

Asset-backed and mortgage-backed securities

Asset-backed securities (ABSs) are securities issued by special purpose vehicles (SPVs) and backed by a pool of assets such as loans, credit card receivables or similar collateralised securities that provide funds for interest payments to ABS investors and for the repayment of invested capital. In the case of mortgage-backed securities (MBSs), the securities are secured by a pool of mortgages. The SPV is established for the sole purpose of issuing and administering the ABSs/MBSs and is fully independent from the legal entity that issued the underlying exposures (“off-balance-sheet”). The primary aim of ABSs/MBSs is to redistribute credit and prepayment risks to investors; this is achieved by creating different tranches within such financial instruments that have a senior-subordinated structure as regards the credit and prepayment risks. The structures of the ABSs/MBSs and their underlying pools are often opaque and can result in a higher credit or prepayment risk (expansion or contraction risk). These instruments can also be highly illiquid and thus subject to significant price fluctuations.

Contingent convertible bonds

Contingent convertible bonds are debt instruments that are automatically converted into equities once a pre-defined event has occurred (e.g. if the value falls below a certain threshold). These financial instruments may also be exposed to other risks such as trigger level risk, coupon cancellation, changes to the capital structure, term extension and valuation risk.

Structured products

Structured products comprise a broad spectrum of different financial instruments (such as certificates, credit or equity-linked notes and similar products) and offer various structuring possibilities, which means that they are associated with different types of risk. As structured products are often unsecured and are only backed by the creditworthiness of the issuer, they are subject to significant issuer risk (see “Issuer risk” section above). As a result, structured products may be associated with potential losses, including total loss. Due to the limited market penetration of structured products, they may also be subject to liquidity risk. They also tend to have a very complicated and opaque structure and may be highly customised.

Leveraged products

The leverage effect allows investors to magnify an exposure to an asset class or financial instrument in which leverage has been built up. This means that a lower capital commitment is required compared to a direct investment in the respective underlying. While gains are multiplied if the asset class being leveraged generates profits (i.e. the percentage change in returns in the leveraged portfolio would be greater than the percentage change in returns in the unleveraged portfolio), any losses suffered by the asset class are also multiplied.

Derivatives, including swaps and credit derivatives

Derivatives are financial instruments whose price is derived either from the price of an asset class such as equities, bonds, commodities (known as “underlyings”), from benchmark rates (currencies, interest rates, indices) or from credit and catastrophic events. Derivatives can be traded on stock exchanges (ETDs) or over-the-counter (OTC). They can be exercised for hedging purposes or to achieve an investment objective. Derivatives are speculative and create a corresponding leverage effect that may in turn result in significant volatility. The use of derivatives is also subject to a number of general risks such as market risk, counterparty risk, liquidity risk and settlement risk.

A swap is a structured derivative that may entail significant potential losses. Swaps exhibit risks generally associated with derivatives, as well as swap-specific risk resulting from the creation of a synthetic position. The party that pays a premium and receives the performance of a stock, index (e.g. equity index) or interest rate (e.g. fixed versus floating rates) has a beneficial interest in this stock, index or interest rate even though the investment policy may prohibit them from investing in the relevant stock, equity market or interest rate.

Derivatives may also be used to hedge against various credit risks associated with third parties (e.g. payment default, downgrade or change in credit risk spread) or apply return enhancement strategies arising from such credit events. Credit derivatives (particularly credit default swaps, or CDSs) are designed so that a party sells protection to a protection buyer. The underlying is a security or basket of securities issued by one or more third parties, with the protection buyer paying a regular premium in return.

Risk information with regard to specific financial strategies

Fixed-income investment strategies

Investments in fixed-income financial instruments are subject to a number of risks, the most important of which are interest rate risk and counterparty risk. Interest rate risk is the risk that the value of a fixed-income security falls if interest rates rise.

High-yield securities

High-yield securities are financial instruments invested in higher-yielding and riskier debt securities that are generally considered to be more risky and speculative. They involve higher credit risk, are exposed to more significant price fluctuations and carry a higher risk of loss of invested capital and current profits than bonds with a higher credit rating. High-yield bonds are generally more sensitive to changes in the macroeconomic environment. Their spread to higher-rated securities tends to widen during economic slowdowns and recessions and narrow during an upturn.

Distressed securities

Distressed securities are financial instruments that are in financial distress or near bankruptcy, typically with a Standard & Poor's rating below CCC- (or an equivalent rating from another agency). Investments in distressed securities are highly speculative. The investment can generate an attractive return in the event of a favourable outcome, as the distressed securities are often traded at a significant discount that cannot be justified by the market value of the security. Conversely, investments in distressed securities can result in significant losses or even total loss if the issuer of the security becomes insolvent. The liquidity of such distressed securities can also develop into a more significant risk compared with credit risk or may even be the most significant risk to which the holder of the distressed security is exposed.

Alternative investment strategies

Alternative or non-traditional strategies such as commodities, hedge funds, private equity and real estate are subject to additional specific risks. They can be highly illiquid, opaque and often speculative compared to traditional asset classes (such as equities, bonds, cash or money market instruments). Information about the valuation of such positions may not be readily available or may be strongly biased due to less stringent reporting obligations for market participants in alternative asset classes. The estimates made can lead to what is known as a smoothing effect, which exhibits an upward bias for returns and a downward bias for the volatility and correlation of these alternative asset classes.

Hedge funds

These alternative investments are made directly via funds or structured products, often domiciled in offshore jurisdictions with no comparable supervision or regulation. These investments are generally associated with a higher level of risk than traditional investments. Such risks can arise due to the use of short selling, derivative instruments and debt capital, which have a leveraging effect.

Private equity

These alternative investments involve investments in unlisted companies, often at an early stage in their development. There is no guarantee that these companies will be successful and survive in the market.

Commodities and precious metals

These alternative investments depend on supply and demand, and in particular the development of the real economy. Commodities and precious metals are often extracted in countries in which the legal and political situation can change rapidly and unexpectedly (e.g. import and export restrictions, tax, unrest, international sanctions).

Disclaimer

This publication is solely for the purpose of informing clients about how Bank Vontobel AG implement applicable regulatory requirements relating to investor protection. It does not constitute an offer or solicitation by or on behalf of Bank Vontobel AG to utilise a service, buy or sell securities or similar financial instruments, or participate in a specific trading strategy in any jurisdiction.

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