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Information for clients concerning the Financial Services Act (FinSA)

Bank Lombard Odier & Co Ltd



Introduction

Bank Lombard Odier & Co Ltd, hereinafter “the Bank” or “Lombard Odier”, attaches the greatest importance to serving its clients in the best way possible to protect their interests while complying with regulatory developments.

In this brochure, Lombard Odier provides you with information on the latest requirements arising from the Swiss Federal Act on Financial Services (FinSA) and the measures taken by Lombard Odier to put them into practice from 1 January 2022.

The Financial Services Act introduces new rules applicable to the provision of services and financial instruments and seeks to improve investor protection. The new requirements set out below must be complied with by all financial service providers in Switzerland. They relate to general information on Lombard Odier, client segmentation, verification of suitability and appropriateness for the purposes of discretionary management and investment advice, best execution of client orders, conflicts of interest, the risks associated with investments in financial instruments, as well as costs and charges.

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Definition

Under the Financial Services Act, financial services means the:

- ▶ acquisition or disposal of financial instruments;
- ▶ receipt and transmission of orders for financial instruments;
- ▶ administration of financial instruments (portfolio management);
- ▶ issuing of personal recommendations on financial instrument transactions (investment advice);
- ▶ granting of loans to finance financial instrument transactions (Lombard loans).

And financial instruments are:

- ▶ equity securities (shares, securities equivalent to shares such as participation certificates entitling the holder to dividend rights and/or voting rights, or securities convertible into equity securities);
- ▶ debt instruments: securities not classified as equity securities;
- ▶ units in collective investment schemes;
- ▶ structured products;
- ▶ derivatives;
- ▶ deposits whose redemption value or interest rate is risk or price dependent, excluding those with an interest rate linked to an interest rate index;
- ▶ bonds: units in an overall loan subject to uniform conditions.

As a Lombard Odier client, you will benefit from the Bank's new requirements under this Act, which we outline in this brochure.



General information

Bank Lombard Odier & Co Ltd is a bank subject to supervision by the Swiss Financial Market Supervisory Authority (“FINMA”, Laupenstrasse 27, CH-3003 Berne, Switzerland, <https://www.finma.ch>).

Its registered office is at 11, rue de la Corraterie, 1204 Geneva.

The contact details for its branches and offices in Switzerland can be found on the website <https://www.lombardodier.com>.

Financial services

Lombard Odier provides the following financial services that fall within the scope of the Swiss Federal Act on Financial Services:

- ▶ discretionary management mandates (management of financial instruments);
- ▶ advisory investment mandates for entire portfolios or advisory transaction mandates (issuing of personalised recommendations on financial instrument transactions);
- ▶ transaction execution (without providing advice) (receipt and transmission of orders for financial instruments);
- ▶ granting of Lombard loans (granting loans to finance financial instrument transactions).

Mediation body

Ensuring the satisfaction of its clients is Lombard Odier’s priority. Your relationship manager will be happy to assist should you have any questions relating to the services offered by the Bank.

Should you have any problems, please do not hesitate to contact your relationship manager to work out a solution together.

Should you not be satisfied with any of our responses, you are free to contact the Swiss Banking Ombudsman (the mediation body to which Lombard Odier is affiliated) at the following address: Bahnhofplatz 9, P.O. Box, CH-8021 Zurich. The mediation procedure, as well as all the appropriate information, can be found at <https://www.bankingombudsman.ch>.



Client segmentation

Under the Swiss Federal Act on Financial Services, Lombard Odier, as a financial services provider, is required to assign each of its clients to one of the following three segments: private (retail), professional or institutional.

This classification is done on the basis of the following principles:

- ▶ **Private clients** are clients who are neither professional nor institutional investors;
- ▶ **Professional clients** are clients such as companies with professional treasury operations, occupational pension institutions and public law bodies, with a high level of knowledge and experience in financial fields;
- ▶ **Institutional clients** are clients such as banks, collective investment schemes, insurance companies and other financial intermediaries subject to prudential supervision in Switzerland or abroad, which, due to their status, structure and financial resources, are deemed to have a high level of sophistication in financial fields.

The Swiss Federal Act on Financial Services establishes a specific and different level of protection for each of these three segments:

- ▶ **Private clients** have the highest level of protection;
- ▶ **Professional clients** benefit from a lower level of protection than that of private clients; indeed, the Swiss Federal Act on Financial Services establishes a certain number of relaxations of the obligations to be met by financial services providers in this case;
- ▶ **Institutional clients** have the lowest level of protection; most of the obligations laid down in the Swiss Federal Act on Financial Services are not applicable to this client segment.

Lombard Odier deems its clients to be private clients, unless it receives a declaration to the contrary from a client or has evidence to show that the client is a supervised financial institution.

The level of client protection, and consequently Lombard Odier's obligations, depends on the type of financial service it provides and on the client segment.

Under the Swiss Federal Act on Financial Services, clients may change their classification, provided certain conditions are met.

Increase in the level of protection (change of classification to private client or professional client)

If clients classified as professional or institutional wish to benefit from a higher level of protection, they should inform their relationship manager, who will provide them with an opting-in form for classification in the segment benefiting from the higher level of protection sought.

Reduction in the level of protection (change of classification to professional client or institutional client)

If clients classified as private or professional wish to be classified in a segment offering a lower level of protection and they satisfy the conditions laid down in this regard, they should inform their relationship manager, who will provide them with an opting-out form for classification in the segment offering the lower level of protection sought.



Verification of suitability and appropriateness

Discretionary asset management mandates

If a client grants Lombard Odier a discretionary asset management mandate, the Bank ensures that the investment strategy the client has chosen is suitable, given that client's risk profile. The risk profile is a key factor in the relationship and is based on the information communicated by the client on his or her personal circumstances, investment objectives and risk appetite. It enables Lombard Odier to gain an understanding of the client's needs and to recommend an investment strategy that best meets those needs. It is therefore crucial that clients communicate information that is complete and accurate. The risk profile is regularly reviewed by the Bank in conjunction with the client.

Lombard Odier informs its clients of the risks linked to financial market transactions through the brochure issued by the Swiss Bankers Association entitled "Risks involved in trading financial instruments", and through the Lombard Odier brochure entitled "Information on risks relating to transactions in standardised and non-standardised derivatives/structured products and investment funds with special risks¹".

Advisory mandates for an entire portfolio

For advisory mandates for entire portfolios, Lombard Odier ensures that the investment strategy is suitable in the same way as it does for discretionary asset management mandates.

With regard to all investment advice relating to a financial instrument offered by the Bank, the latter checks first that the financial instrument is suitable in terms of the investment strategy agreed and, second, that the client has sufficient knowledge to understand the risks linked to the instrument concerned (verification of appropriateness). If necessary, the Bank warns its client if the financial instrument is not suitable or appropriate in his or her particular case. These factors are documented by the Bank for its private clients.

¹ The brochures on these risks can be found on our website here:
<https://www.lombardodier.com/legal/ch>

Lombard Odier also informs its clients of the risks linked to financial market transactions through the brochure issued by the Swiss Bankers Association entitled “Risks involved in trading financial instruments”, and through the Lombard Odier brochure entitled “Information on risks relating to transactions in standardised and non-standardised derivatives/structured products and investment funds with special risks”.

Advisory transaction mandates

With regard to advice requested by a client on a transaction in a financial instrument offered by the Bank, Lombard Odier checks whether the client is able to comprehend the risks connected with that financial instrument. If necessary, the Bank warns its client if the financial instrument is not appropriate in his or her particular case.

However, in the case of an advisory transaction mandate, the Bank does not check whether the transaction is suitable, since it does not know the client’s risk profile or that client’s portfolio.

Lombard Odier informs the client of the risks linked to financial market transactions through the brochure issued by the Swiss Bankers Association entitled “Risks involved in trading financial instruments”, and through the Lombard Odier brochure entitled “Information on risks relating to transactions in standardised and non-standardised derivatives/structured products and investment funds with special risks”.

Transaction execution (without advice)

In the absence of a discretionary asset management mandate or advisory mandate, the Bank conducts no suitability or appropriateness checks when it executes an order for financial instruments communicated by a client (irrespective of that client’s classification). **In the case of transaction execution (without advice), Lombard Odier expressly draws its clients’ attention to the fact that the Bank conducts no suitability or appropriateness checks, irrespective of whether the client is private, professional or institutional. The Bank does not reiterate this warning at any later stage in the contractual relationship.**

Lombard Odier informs the client of the risks linked to financial market transactions through the brochure issued by the Swiss Bankers Association entitled “Risks involved in trading financial instruments”, and through the Lombard Odier brochure entitled “Information on risks relating to transactions in standardised and non-standardised derivatives/structured products and investment funds with special risks”.

Clients acting through an external manager

If a client appoints an external manager to manage assets entrusted to Lombard Odier, the Bank acts as a custodian bank and executes investment orders communicated by the client or his or her external manager, as required, based on the power of attorney granted by the client to the external manager.

Lombard Odier does not intervene in the relationship between the client and his or her external manager and does not check whether the transactions executed or the portfolio as a whole are suitable or appropriate.

Appropriateness in the event of a Lombard loan application

The Bank will provide you with information on the specific risks of the use of Lombard loans (loans guaranteed by your assets). If you have a discretionary asset management mandate or advisory mandate, the Bank will also provide you with advice on whether the loan amount you are seeking is suitable. If, due to the loan amount, your risk profile no longer corresponds to that initially agreed, the Bank will inform you and examine the situation with you, in order to find alternative solutions.



Conflicts of interest and financial relationships with third parties

Management of conflicts of interest

Lombard Odier seeks to act in a professional and independent manner at all times while keeping in mind the best interests of its clients. It takes all reasonable measures to identify and prevent conflicts of interest that might arise when investment and/or related services are provided.

The Bank has therefore put in place organisational measures to pinpoint conflicts of interest and take reasonable measures to prevent the interests of its clients being adversely affected.

Should the internal measures designed to prevent and manage conflicts of interest be found to be insufficient to avoid, with a reasonable degree of confidence, the risks of prejudice to the interests of clients, Lombard Odier will disclose the general or specific nature of such conflicts of interest.

More information on the organisational measures for conflicts of interest is available on our website here: <https://www.lombardodier.com/legal/ch> in the policy for managing conflicts of interest and order execution.

Financial relationships with third parties

In the case of advisory transaction mandates (not relating to entire portfolios) or transaction execution services (without advice), Lombard Odier may receive payments from third-party companies relating to the acquisition of collective investment schemes. The Bank retains these amounts and informs the client of the type and amount of the remuneration it has received.

If the client has granted a discretionary asset management mandate or advisory mandate for an entire portfolio, Lombard Odier does not, in principle, receive such payments or will otherwise recredit them to the client in their entirety. The amounts recredited are shown on the annual account statement.



Best execution of client orders

Lombard Odier has put in place all the measures necessary to obtain the best possible result in executing client orders, be this in terms of price, cost, speed, probability of execution and settlement, size, nature of the order or any other consideration involved in the execution of an order (“execution factors”). These measures apply irrespective of whether an order is executed by the Bank or communicated to a third party for execution.

As a general rule, particular attention is paid to price and costs to guarantee the best possible outcome. However, for certain orders, financial instruments, markets or market conditions, other execution factors may be equally important or take precedence over price to ensure the best possible execution.

More information on the organisational measures that apply can be found on our website here: <https://www.lombardodier.com/legal/ch> in the policy for managing conflicts of interest and order execution.



Basic factsheet

The basic factsheet (or its equivalent, published in accordance with European legislation and regulations) contains information on the key elements of certain financial instruments (in particular, collective investments and structured products) as well as on their risks and costs. This enables clients to compare their characteristics based on a similar format.

The basic factsheets for the requisite instruments are made available on our website: <https://www.lombardodier.com/finsa/kid>



Risks associated with financial instruments

Lombard Odier informs all its clients of the risks linked to financial instruments. The brochure entitled “Risks involved in trading financial instruments” issued by the Swiss Banking Association is provided to you by your relationship manager when your account is opened and at any time on request. This information is also available on the Swiss Banking Association’s website at the following address: <https://www.swissbanking.ch/en/downloads>

In addition, the Bank also provides all its clients with its brochure entitled “Information on risks relating to transactions in standardised and non-standardised derivatives/structured products and investment funds with special risks”, which outlines the risks applicable to certain specific financial instruments.

Clients should contact their relationship manager for any additional clarification they require or to obtain a clearer understanding of a specific financial instrument and its particular features, or of the specific risks relating to any investment contemplated.



Information on costs and charges

Lombard Odier communicates all costs and charges linked to the financial services it provides. This information is contained in a fee schedule provided to all new clients before the service concerned is provided and is available on request at any time.

IMPORTANT INFORMATION

This document concerns all entities of the Bank Lombard Odier & Co Ltd (hereinafter “Lombard Odier”). It is not intended for distribution, publication, or use in any jurisdiction where such distribution, publication, or use would be unlawful, nor is it aimed at any person or entity to whom it would be unlawful to address such a document.

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