



Information on the Financial Services Act (FinSA)

On January 1, 2020, the Financial Services Act (FinSA) came into force with the aim of, on the one hand, strengthening investor protection and, on the other, establishing a comparable regulatory regime for the provision of specific financial services by the various providers in the sector (banks, asset managers, etc.).

The law requires financial service providers to introduce stricter rules of conduct and provide their customers with comprehensive information and documentation.

There is a two-year transition period for the rules of conduct set out in the FinSA, and Società Bancaria Ticinese SA (hereinafter the "Bank") will adopt them as of 1 January 2022.

This document has been prepared by the Bank for the purpose of providing information on the effects of the law on its relationships with clients. It is in no way a solicitation or offer for a financial service, nor a recommendation to buy or sell any financial instrument.

1. General information on the Bank

a) Presentation

Società Bancaria Ticinese SA, is a Swiss private bank founded in 1903 with headquarters in Bellinzona, focused on offering products and services to private clients in Switzerland and abroad. It is licensed as a bank and securities dealer and can provide the full range of banking services, including discretionary asset management and advisory mandates, as well as services such as the purchase, sale and custody of securities and other financial instruments. The Bank also provides mortgage, commercial and Lombard financing and lending.

b) Legal form, supervision and contacts

The Bank's registered office is at Piazza Collegiata 3, 6500 Bellinzona, Switzerland. The Bank is a joint-stock company subject to the Federal Act on Banks and Savings Bank (BA) and to the supervision of the Swiss Financial Market Supervisory Authority (FINMA).

More information can be found at www.bancaria.ch

2. Financial services of the bank

In general

The Bank offers its clients a wide range of selected financial services and instruments to help them achieve their investment objectives. For investment services, it develops customised solutions and offers asset management mandates, investment advice or the execution of orders (execution only).

a) Asset management

The Bank offers asset management mandates, starting with a specific amount of assets, using specialists with many years of experience who manage clients' assets in a rigorous and careful manner, seeking out the best medium- to long-term investment opportunities. Following a careful analysis of the client's personal and financial situation, knowledge and

experience in investments, as well as investment needs and objectives, the Bank prepares the Investor Profile and defines the investment strategy together with the client.

b) Investment advice

Upon request, the Bank offers clients investment advisory services. As in the case of asset management mandates, this is based on personal and financial circumstances, knowledge and experience as well as investment needs, requirements and objectives. In contrast to asset management, the Bank's investment advisory services allow clients to make their own investment decisions.

c) Execution of orders (execution only)

When executing orders to buy or sell financial instruments given directly by clients (execution only), the Bank will merely execute the order given by the client and therefore will not carry out an adequacy and appropriateness check, in accordance with art. 13 of the Investment Services Act. The Bank will make available to the client, upon request, the basic information sheet of the financial instrument involved in the transaction, if it can be obtained at a proportionate cost. With the Client's express consent, the basic information sheet may be made available after the transaction has been concluded.

3. Assessment of suitability and appropriateness

Within the scope of asset management and investment advisory services, financial service providers are obliged under the terms of the FinSA to carry out a suitability and appropriateness check. This review is based in particular on the information that the client has provided to the Bank. The extent and type of information required depends on the category to which the client belongs (see point 5. Client classification). No suitability or appropriateness check is required for institutional clients, whereas the only information to be collected for professional clients concerns their investment objectives.

a) Verification of appropriateness

In order to be able to act in the best interests of its clients, the Bank checks their knowledge and experience according to their category. Prior to providing investment advice or an asset management mandate, the Bank conducts an appropriateness and suitability check. In the light of the client's knowledge and experience, an assessment is made as to whether the financial instruments that are the subject of investment advice or an asset management mandate are appropriate for the client. A financial instrument is deemed to be appropriate if the client understands how it works and if the consequences of its purchase are

clear to him. If the client does not yet have sufficient knowledge and experience with regard to certain financial instruments, the Bank shall provide the necessary clarifications and, if possible, documentation on the functioning and characteristics of the product.

b) Verification of suitability

Before providing an advisory service and before concluding an asset management mandate, the Bank checks whether or not the service and the financial instruments are suitable for the client. To this end, in addition to the investment objectives, the time horizon and the purpose of the desired investment, the Bank informs itself of the client's financial situation, the origin and amount of the income and any investment commitments or restrictions. If the information provided by the client to the Bank is not sufficient to conduct a suitability check, the Bank will notify the client before providing a service where this type of check is required, in which case the responsibility will be borne entirely by the client.

Taking into account the client's knowledge and experience as well as his personal investment objectives and financial situation, one or more investment strategies will be defined in consultation with him and will form the basis of the asset management or investment advisory service.

4. Financial instruments

In the context of asset management or advisory services, the Bank selects financial instruments based on a predefined investment universe. In order to identify the most suitable financial instrument for clients, the Bank may consider both its own products and those of carefully selected third parties. Clients have various investment strategies to choose from, all of which are broadly diversified and have different degrees of risk and expected returns. The instruments used for investment are briefly described below:

a) Securities

Generally, transferable securities are widely traded, standardised book-entry securities. In particular, stocks, bonds, investment funds and other indirect investments fall into this category;

b) Indirect investments

In addition to direct investments such as equities and bonds, where the investor obtains exposure to the respective asset class, the asset management company also invests through indirect investment vehicles. Indirect investments generally provide exposure to an asset class and/or financial instruments via a fund, derivative instrument or structured product. In the case of indirect investments, fees and expenses may be charged at the level of the indirect investment or at the level of the investments comprising the indirect investment.

c) Derivatives

These are financial contracts whose price is determined on the basis of underlying assets such as shares, bonds, precious metals or commodities, as well as reference rates such as currencies, interest rates and indices.

d) Structured products

They are offered privately or publicly by an issuer. Their redemption value is linked to the performance of one or more underlyings. They can have several components such as, for example, a fixed or unlimited maturity, full or partial capital protection, a single redemption at maturity or a split coupon payment, for example quarterly. The most common types of

structured products include capital protection products, yield enhancement products, participation products and leveraged structured products.

e) Product Information

With the introduction of the FinSA, if financial instruments other than shares or bonds are recommended, the corresponding prospectuses (KIDs) will be made available in addition to the brochure "Risks Involved in Trading Financial Instruments", if provided by the manufacturer.

f) Risks in trading financial instruments

Trading in financial instruments involves financial risks, which may vary considerably depending on the instrument in question. For further information on financial instruments and their risks, please refer to the brochure "Risks Involved in Trading Financial Instruments" issued by the Swiss Bankers Association "SBA", which the Bank provides to its clients. The SBA brochure is handed out at the opening of the business relationship and can also be found at www.bancaaria.ch

5. Classification of customers

The FinSA provides for the following classes of clients of financial services providers: "private clients", "professional clients" and "institutional clients". Each category is assigned a different level of investor protection, e.g. with respect to information requirements, suitability and appropriateness requirements, and documentation and liability requirements. These categories differ substantially in the following ways:

a) Private customers

This category essentially includes all clients who are not professional or institutional clients. The Bank generally classifies all clients as private clients unless they have been informed otherwise. Private clients enjoy more extensive protection provisions than clients in the other two categories. For financial service providers, this means in particular that they must comply with information and behavioural obligations with regard to the assessment of suitability and appropriateness. Before a service can be provided or a transaction carried out, comprehensive information about the risk of the product must be provided, for example through the Key Information Document (KID). The range of financial instruments available is generally limited to products intended for private clients, or which are explicitly registered for distribution to private clients.

b) Professional customers

Professional clients are regarded as 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. Professional clients include supervised financial intermediaries (e.g. banks or supervised asset managers), insurance companies and central banks, pension funds (especially pension funds), public-law corporations and companies with professional treasuries, large companies (exceeding two of the following thresholds: balance sheet total of CHF 20 million, turnover of CHF 40 million or equity capital of CHF 2 million) as well as private investment structures with professional treasuries set up for wealthy private clients. The client protection provisions applied for professional clients are less extensive than those for private clients, but still more extensive than those to be observed for institutional clients. Some rules do not apply to professional clients (e.g. disclosure via KIDs). Professional clients have a wider investment universe at their disposal, including financial products which are



exclusively intended for professional clients or which are not registered for distribution to private clients.

c) Institutional clients

Certain professional clients are classified as institutional clients and constitute a separate client category. These are supervised financial intermediaries (e.g. banks or supervised asset managers), insurance companies, central banks, and certain public law bodies with professional treasuries. Clients in this category are subject to the least extensive client protection provisions, as they typically do not require protection or only limited protection due to their structure, experience and financial resources.

d) Change to a different customer category

Wealthy private clients may declare in writing to the Bank that they wish to be classified as professional clients (opting-out). In order to do so, they must meet one of the following criteria: they must have assets of at least CHF 500,000 and the knowledge necessary to understand the risks of investments due to personal training and professional experience or comparable experience in the financial sector, or assets of at least CHF 2 million. Eligible financial investments are bank balances, securities and rights including transferable securities, collective investment schemes and structured products, derivatives, precious metals, life insurance with surrender value and fiduciary investments. In particular, direct investments in real estate, claims arising from social insurance and assets from occupational pension schemes are not considered as qualifying financial investments. Professional clients who are not institutional clients may declare that they wish to be treated as private clients within the scope of their business relationship with the bank (opting-in).

e) Combined effects of the classification of clients under the FinSA and the CISA

The Federal Act on Collective Investments Schemes (CISA) was also amended with the FinSA. For example, the CISA now only contains product-specific provisions in relation to collective investment schemes, whereas the rules of conduct to be observed with respect to clients are now to be found in the CISA. The amendment also affected the rules for classifying clients as qualified or non-qualified investors under the CISA, which refer to the definitions of client classification in the CISA. If a client has agreed in writing to a long-term investment advisory or asset management relationship with the Bank, he is considered a qualified investor under the CISA. This brings with it a wider range of opportunities, but also more risks. Classification as a qualified investor makes it possible to purchase financial instruments with an increased risk. For example, as part of an investment advisory or asset management relationship, a qualified investor may also purchase foreign collective investment schemes or structured products with a higher risk. If a client wishes to renounce the status of "qualified investor", he must declare this in writing. Classification as a non-qualified investor, however, results in the sale of investments reserved for qualified investors. In addition, if the client opts to renounce this status, the Bank reserves the right to terminate the investment advisory or asset management relationship.

6. Prices and commissions

The Bank shall make available, upon the Client's request, the fee schedule for the products and services offered by the Bank. An extract from the price list shall be given to the client when the relationship is opened.

7. Best execution

Best execution is defined as the Bank's obligation to take all necessary measures to obtain the best possible result for its clients when executing transactions on their behalf (including the right to use third party financial institutions to execute transactions). The Bank takes into consideration the following execution factors to determine the best possible result for its clients: "the price" of executing the transaction; "the cost", i.e. internal expenses (commissions and Bank fees) and explicit external expenses (including taxes, execution venue fees and third party fees); "the certainty of execution and speed", i.e. the likelihood that the Bank will be able to conclude the transaction and the relative speed of execution; "the type and size of the order", i.e. the volume and structure of the order that affect the actual price of execution. As a general rule, the price of the financial instrument and the costs related to the execution of the order (total consideration) are of the highest relative importance in order to obtain the best possible result. However, the overall result of a particular transaction for a client may be affected by other factors. Therefore, the Bank may, in specific cases, attach greater importance to other execution factors than price and immediate cost. The Bank has implemented an internal directive on Best Execution and internal control activities for client transactions.

8. Organisational measures

a) Conflicts of interest

Conflicts of interest may arise where the Bank's interests conflict with those of the client and which, if not mitigated, may result in a financial disadvantage to the client. Conflicts of interest may arise in particular in the following situations: 1) the Bank's own interest arising from the sale and trading of financial instruments, including any instruments issued by the Bank; 2) receipt of compensation from third parties (for details on compensation see section 9 "Compensation from third parties"); 3) performance-based compensation of employees and compensation paid to intermediaries (where applicable and permitted); 4) relationships (e.g. service, collaboration or revenue sharing arrangements) that the Bank may have with issuers of financial instruments that are offered to clients.

b) Checks

The Bank has implemented a series of independent controls and control functions to ensure regular operations in full compliance with the provisions in force, which are also designed to avoid the emergence of conflicts of interest.

c) Managing conflicts of interest

The Bank is committed to identifying, avoiding or mitigating any conflicts of interest that may arise in connection with the services offered to clients. If the measures taken are not able to avoid situations of disadvantage to clients, or this is only possible with a disproportionate effort, the Bank will disclose the conflict in an appropriate manner.

9. Compensation from third parties

An allowance is a benefit that the Bank may receive from a third party and that is not paid directly by or on behalf of a client. Expenses paid directly by a client to the Bank, such as advisory service fees, custody service fees or transaction fees (including fees included in the issue price of a financial instrument) are not considered an allowance.

a) Regulation of allowances

Since compensation may involve potential conflicts of interest, their receipt and payment are strictly regulated. Clients must be adequately informed of the existence of such allowances and must waive their return; otherwise, the Bank must pass on the allowance received to the client.

b) Allowances received

The Bank may offer discretionary management and advisory mandates which may include fees. In the context of a mandate, the Bank undertakes to recommend or respectively use only those products that it considers to be the best (both without and with compensation), always taking into account the suitability and appropriateness, as well as potential investment restrictions by the product itself.

c) Calculation of allowances

The amount of the indemnity may depend on the financial instrument, its provider and the volume of assets invested in the financial instrument. The Client expressly agrees that the Bank shall be entitled to receive and retain such indemnity in accordance with the conditions set out in the relevant Service Agreements and/or Deposit Policy.

d) Indemnities paid to third parties

If the Bank has established a business relationship with a client through a third party acting as a broker, the Bank may pay such third party commissions (based on revenues, transactions or assets) on a one-off or ongoing basis. In the case of clients managed by a financial intermediary that uses the Bank for custody and trade execution, the Bank may pay such intermediary a one-off and/or ongoing cooperation fee. Where such cases exist, the Bank shall inform its clients of the existence and nature of such payments to third parties. In addition, each of these parties must comply with its own obligations in relation to compensation, in particular with regard to restrictions on receipt, disclosure obligations and management of conflicts of interest. The Bank assumes no responsibility for the obligations of third parties in this respect.

10. Complaint handling and mediation body

Clients may address remarks and complaints in writing directly to the Bank or to their relationship manager. The Bank will endeavour to deal with the complaint as quickly as possible. If no agreement can be reached, clients may appeal to the Swiss Banking Ombudsman, a neutral and free mediation body:

Swiss Banking Ombudsman - Bahnhofplatz 9 P.O. Box - 8021 Zurich,
www.bankingombudsman.ch

IMPORTANT LEGAL INFORMATION

In the relations with Società Bancaria Ticinese SA, the General Conditions or any other special agreement stipulated between the client and the Bank shall always apply.

This brochure has been created exclusively for information purposes for clients of Società Bancaria Ticinese SA, which accepts no liability as specific details may have changed since its publication.