

# Julius Bär

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| <b>Document title:</b>                    | <b>D-1275-00 Investment Suitability</b> |
| <b>Version:</b>                           | 1.1                                     |
| <b>Effective as from:</b><br>(dd.MM.yyyy) | 02.03.2015                              |
| <b>Scope:</b>                             | Legal Entities Worldwide                |
| <b>Replaces:</b>                          | Version 1.0                             |
| <b>Language(s):</b>                       | English                                 |
| <b>Appendices:</b>                        | 1                                       |

## 1. Rationale and Purpose

Improving investor protection is a concern to many regulators worldwide as documented by the “G20 high-level principles on financial consumer protection” (OECD 2011).

However, implementations do differ considerably depending on the specific local regulator.

Even though different approaches are taken, the suitability of investment advice is a common core component of the above mentioned developments.

## 2. Scope

This policy applies to all legal entities of Julius Baer Group worldwide (hereinafter referred to as “Legal Entities”) providing advisory services and sets global minimum standards for the local suitability framework. In case local regulations prescribe more stringent or extensive requirements than those defined in this policy, local regulations have priority.

This policy is not directly applicable to RMs and other employees, but shall merely serve as a framework policy for issuing directly applicable local policies.

### **3. Global Minimum Standards**

#### **3.1. Minimum Content of Local Policies**

Legal Entities shall enact a local policy setting out on local suitability requirements. The following aspects have to be regulated in a local policy as a minimum:

1. Functional scope (affected client base, service models, channels etc.) as well as roles and responsibilities of employees affected by the local suitability framework;
2. Guidelines to perform and ensure a suitability assessment as required by local regulation:
  - a. Scope of activities, for which a suitability assessment is mandatory;
  - b. What is a suitable advice and when is an advice not suitable;
  - c. How to handle unsolicited orders;
  - d. Exemptions from a suitability assessment;
  - e. Timing aspects of a suitability assessment.
3. Requirements for internal documentation (e.g. documentation of advice, product specific documentation; reference is made to the policies “Acceptance, Documentation & record-keeping of Client Orders” (D-1248) and “Duty of Risk Disclosure” (D-1245)) as well as information to be provided/offered to clients;
4. Pre-conditions to the suitability requirements (e.g. availability of Client Investment Profile [“CIP”], client classification [see section 3.4], etc.) as well as local processes in connection thereto;
5. Monitoring and reporting aspects (see section 3.6);
6. Review cycles for investment related client information, but no less than every two years;
7. Consequences of non-compliance with local policies (e.g. consequence in case no investment related client information is available).

Deviations from these global minimum standards are only allowed if their implementation is not legally feasible according to local law. Such deviations have to be approved according to Appendix 2 of the “Policy Management Framework” (D-1004-02).

#### **3.2. Client Investment Profile**

Local policies set out on the client information necessary to allow for a suitability assessment. The collected information must allow determining the following aspects:

- Investment objectives;
- Knowledge and experience in particular products / services;

- Financial risk ability as well as financial risk tolerance;
- Investment strategy.

Such information shall be gathered by usage of the globally available CIP.

The level of information may be lowered for service models without any advisory activities (e.g. execution-only) and/or based on local regulatory requirements.

### **3.3. Product Risk Rating**

Each financial instrument is assigned a product risk rating. The product risk rating is assigned automatically to each product available in the investment universe. Individual product risk changes may prevail in case of local regulatory demands or indispensable local business needs, and require approval by the Julius Baer Instrument Classification & Suitability Board.

### **3.4. Client Classification**

If required by applicable law, every client must be classified or characterized according to the requirements of the relevant regulator(s). If a client is not specifically classified, it has to be ensured that such client is by default treated with the highest level of customer protection according to local regulations. Local policies must also provide guidelines for a client re-classification, if applicable.

### **3.5. System Support**

Employees providing advice in Julius Baer entities for which a system-support is available have to use this tool to assist their suitability assessment. Entities without system-support are required to implement their own solution to comply with their local regulatory requirements.

### **3.6. Monitoring and Control Framework**

Local policies define the respective monitoring activities. They shall ensure:

- Performance and result of individual suitability assessment is in line with local regulations;
- Documentation of the suitability assessment and the respective client interaction is available and comprehensive;
- Disclosure requirements toward the client have been adhered to.

**4. Implementation Date**

This policy entered into effect as of 2 March 2015.

**Zurich, December 2016**

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**Appendix:**

Appendix 1: [D-1275-01 Suitability of Personal Investment Recommendations](#)

[FS D-1275 Investment Suitability](#)