

Julius Bär

FINANCIAL SERVICES ACT (Finsa)

INFORMATION FOR CLIENTS



Julius Bär

INTRODUCTION

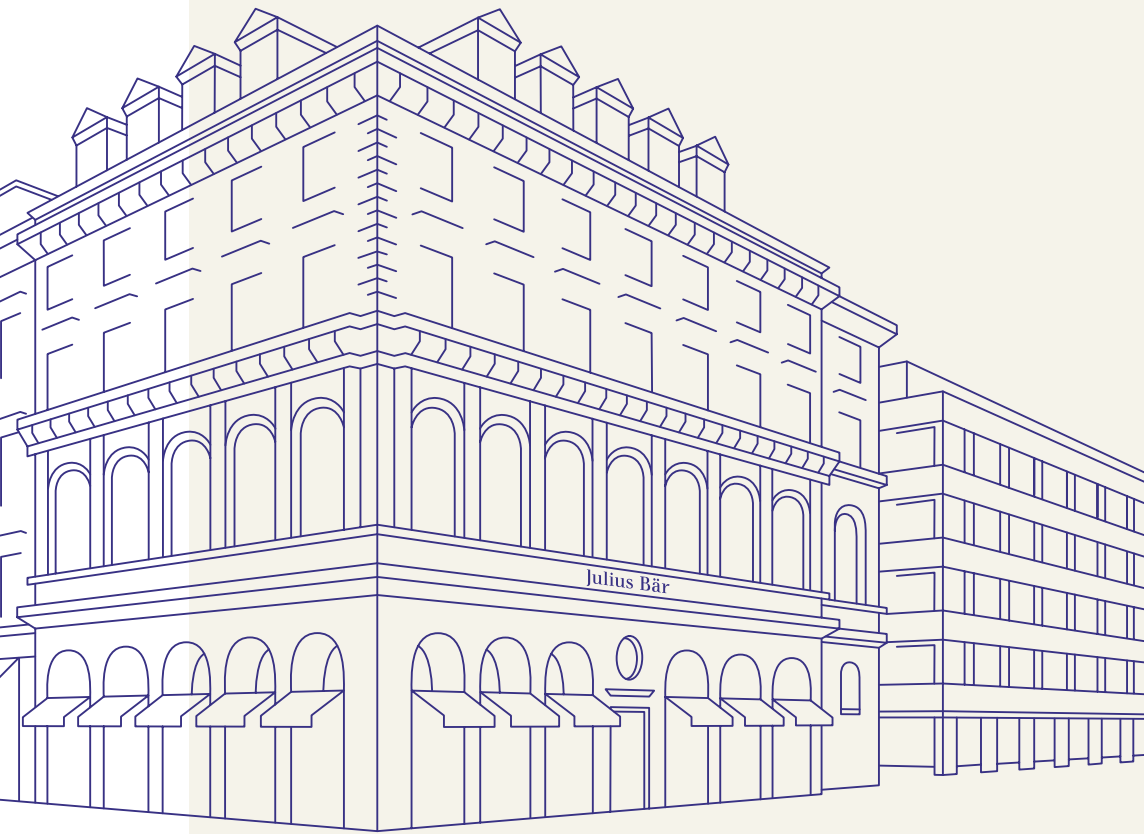
This brochure provides essential information about the Swiss Financial Services Act (FinSA), which entered into force on 1 January 2020. FinSA aims to strengthen investor protection and establish comparable standards for financial service providers. FinSA foresees a transition period of up to two years, i.e. the full implementation of the FinSA requirements as set out in this brochure must be completed by the end of 2021 at the latest.

The brochure also contains information on the implementation of the new regulatory standards applied to clients served by Bank Julius Baer & Co. Ltd., Switzerland. This includes general information, such as the regulatory licence status, the available investment universe, suitability and appropriateness, client classification, best execution, conflicts of interest, compensation, general risks, and complaints handling.

Further information can be obtained from the client's relationship manager, who will be happy to answer any questions.

This brochure is provided for information and regulatory purposes only and should not be considered as marketing material. It is not a solicitation or an offer for a financial service, or a recommendation to buy or sell any financial instrument.

The brochure reflects the status as of June 2020. The most recent version can be found at www.juliusbaer.com/fidleg.



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GENERAL INFORMATION

ABOUT JULIUS BAER

Julius Baer is the leading Swiss wealth management group and a premium brand in this global sector, with a focus on serving and advising sophisticated private clients. Bank Julius Baer & Co. Ltd., the renowned Swiss private bank with origins dating back to 1890, is the principal operating company of Julius Baer Group Ltd., whose shares are listed on the SIX Swiss Exchange (ticker symbol: BAER) and are included in the Swiss Leader Index (SLI), comprising the 30 largest and most liquid Swiss stocks.

Julius Baer is present in over 25 countries and more than 60 locations. Headquartered in Zurich, Julius Baer has offices in key locations worldwide, including Dubai, Frankfurt, Geneva, Hong Kong, London, Lugano, Luxembourg, Monaco, Montevideo, Moscow, Mumbai, Singapore, and Tokyo.

CONTACT AND LICENCE INFORMATION

Below are the contact details of Bank Julius Baer & Co. Ltd. (hereinafter 'Julius Baer'), its regulatory status, and the contact details of its supervisory authority:

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Julius Baer is authorised and regulated by the Swiss Financial Market Supervisory Authority FINMA, Laupenstrasse 27, 3003 Berne, and is licensed as a bank and securities firm. It may therefore provide the full range of wealth management and banking services, including Advisory or Discretionary Mandates, and the purchase, sale, and safekeeping of securities and other financial instruments. Julius Baer also conducts brokerage and payment services, and provides credit and securities financing.

Julius Baer's product and service offering also depends on the regulations applicable in each client's country of domicile and may not (or not fully) be available to all clients.

JULIUS BAER'S INVESTMENT UNIVERSE

When Julius Baer selects financial instruments for its wealth management services (Advisory or Discretionary Mandates), it does so based on products from entities of the Julius Baer Group and products from a large range of third-party providers.

The Julius Baer Group is a global wealth management group that does not operate a large-scale production of its own in-house investment funds. The vast majority of Julius Baer's investment fund universe is based on the products of more than 100 carefully selected third-party fund providers. This allows for a more objective selection to find the best available product. If the properties (e.g. risk structure, maturity) of its own financial instruments are similar to financial instruments of third parties, Julius Baer may preferentially recommend or select its own financial instruments.

Furthermore, certain fund management companies have delegated the management of the assets of some of their funds to Julius Baer. For this service, Julius Baer receives a management fee from these fund management companies.

Julius Baer creates its own structured products, which are issued by Julius Baer Group entities, but also cooperates with a small number of carefully selected issuers. The structured products are made available to clients of Julius Baer as well as third-party investment firms.

To meet individual client needs, Julius Baer is able to provide structured products and derivatives with various underlyings. They are either tailor-made by one of Julius Baer's real-time derivatives creation tools or are sourced from a selected third-party issuer. Julius Baer also provides individual structuring solutions for specific client needs.

SUITABILITY ASSESSMENT

IMPLEMENTATION

When providing wealth management services (Advisory or Discretionary Mandates), Julius Baer has a legal obligation to consider whether the products and financial instruments are suitable for the client. This means that a client has to be able to adequately understand the underlying nature and risk of the offered investment service or the recommended financial instrument, and must have the ability to bear any related financial loss. Julius Baer needs to assess whether the investment strategy and transaction suit the client's investment objectives.

In order to perform a suitability assessment, Julius Baer requires specific information about the client's personal and financial circumstances. For this purpose, the client needs to complete the Client Investment Profile (CIP), which is designed to gather the necessary information on the client's:

- knowledge and experience (K&E) with regard to asset classes;
- investment objectives, including investment horizon; and
- financial situation, including financial risk ability and risk tolerance.

Julius Baer will rely on the information provided, and clients are strongly advised to immediately inform Julius Baer if any of their circumstances change and no longer match the information provided, whether in the CIP or otherwise.

The suitability assessment carried out at Julius Baer goes beyond the regulatory requirements and is performed as described in the following paragraphs.

SUITABILITY OF INVESTMENT STRATEGIES

Based on the CIP, a suitable overall investment strategy will be defined for the assets held with Julius Baer. This overall investment strategy guides the selection of the investment strategy for an Advisory or Discretionary Mandate set up by a client. If a client has more than one mandate, the match of the individual investment strategies will be looked at holistically.

SUITABILITY OF INDIVIDUAL TRANSACTIONS

Before recommending a financial instrument for individual transactions, Julius Baer will assess its suitability in the context of the available information. If a client requests advice on a financial instrument deemed unsuitable, Julius Baer will inform the client accordingly.

If a client wishes to proceed regardless, the transaction will be considered as not being advised by Julius Baer (execution-only transaction). Julius Baer may decline to include such instruments in a portfolio for which it offers ongoing portfolio monitoring services, or it may exclude such instruments from the monitoring activity.

APPROPRIATENESS OF INDIVIDUAL TRANSACTIONS

For individual transactions, both advised and non-advised (execution-only), Julius Baer will assess whether the client is able to understand the nature and risks associated with a financial instrument before placing the order (appropriateness assessment). This assessment is based on the K&E information received from the client. If a financial instrument is deemed inappropriate, Julius Baer will either educate the client on the respective instrument or warn the client that their K&E is not sufficient to understand the risks associated with the financial instrument.

In order to assess the appropriateness of a transaction, Julius Baer verifies the K&E of the person placing the order, which might be the account holder, a joint account holder, a representative, or an authorised signatory holder for a company.

CLIENT CLASSIFICATION

INFORMATION ON CLIENT CLASSIFICATION

FinSA defines the following classes for clients of financial service providers: 'private clients', 'professional clients', and 'institutional clients'. Each category is assigned a different level of investor protection (e.g. with regard to information duties, suitability and appropriateness obligations, and documentation and accountability duties).

Julius Baer will classify its clients as either private clients or professional clients; it does not introduce a separate class for institutional clients because institutional clients are offered the same level of protection as professional clients.

PRIVATE CLIENT STATUS

Julius Baer will treat clients as private clients unless clients are informed otherwise. Private clients receive the highest level of investor protection. They must be given extensive information regarding product risk, e.g. Key Information Document (KID), before a service can be provided or a trade can be executed. The range of financial instruments available is generally limited to products targeted at private clients or to products explicitly registered for distribution to private clients.

PROFESSIONAL CLIENT STATUS

Professional clients are treated as sophisticated investors who have a lower level of investor protection than private clients, based on their level of knowledge and experience and their ability to bear financial losses.

Some rules of conduct do not apply to professional clients (e.g. provisions of KID). Professional clients are eligible for a larger investment universe, including financial products targeted at professional clients only or products not registered for distribution to private clients.

HOW TO BECOME A PROFESSIONAL CLIENT

Either the client is already classified by law as a professional client ('per-se professional client') or they can apply for a change of classification ('opting out').

The following are defined as per-se professional clients:

- financial intermediaries as defined in the Swiss Banking Act (BA), the Swiss Financial Institutions Act (FinIA), and the Swiss Collective Investment Schemes Act (CISA);
- insurance companies as defined in the Swiss Insurance Supervision Act (ISA);
- foreign clients subject to prudential supervision;
- central banks;
- public entities with professional treasury operations;
- pension funds and institutions dedicated to occupational pension provision with professional treasury;
- companies with professional treasury operations;
- large companies; and
- private investment structures with professional treasury operations created for high-net-worth private clients.

High-net-worth private clients may request to be reclassified as professional clients (opting out). To become a professional client, the client must meet at least one of the following legal requirements:

- the client has the necessary knowledge based on training, education, and professional experience, or on the basis of comparable experience in the financial sector, to understand the risks associated with the investments and has eligible assets of at least CHF 500 000; or
- the client has eligible assets of at least CHF 2 million.

Direct investments in real estate and claims from social insurance schemes as well as occupational pension assets do not qualify as eligible financial investments.

Private clients wishing to be reclassified as professional clients may do so by submitting the form Application for Classification as FinSA Professional Client. However, it is not possible to opt out of individual services or particular classes of financial products only; clients must opt out of the full range of their relationship with Julius Baer. Clients must confirm that they meet the necessary requirements in all aspects before they can become professional clients. Clients will be informed in writing when Julius Baer considers the conditions to be fulfilled. Once this confirmation is sent out, Julius Baer will henceforth treat such clients as professional clients.

As regards the offering of collective investment schemes, professional clients as well as private clients who have entered into a Discretionary or Advisory Mandate Agreement are by law considered as qualified investors. This allows these clients to invest in collective investment schemes that are offered to qualified investors only. However, these clients need to be classified as professional clients – according to the aforementioned opting-out process – to be able to invest in such collective investment schemes.

OPTING IN

Clients who have been reclassified as professional clients can decide at any time to opt into the private client classification again.

BEST EXECUTION FRAMEWORK

BEST EXECUTION

Best execution is the obligation to take all necessary steps to obtain the best possible result for clients on a consistent basis when executing transactions on their behalf (including use of third-party financial institutions to execute transactions).

BEST EXECUTION FACTORS

Julius Baer takes into consideration the following execution factors to determine the best possible result for its clients:

- **price** – this is the price a financial instrument is executed at
- **cost** – this includes implicit costs, such as the possible market impact; explicit external costs, such as execution venue or clearing and settlement fees; and explicit internal costs (Julius Baer’s own commissions and fees)
- **speed** – this is the time it takes to execute a client transaction
- **likelihood of execution and settlement** – this is the likelihood that Julius Baer will be able to complete a client transaction
- **size** – this is the size of the transaction executed for a client, accounting for how this affects the price of execution
- **nature** of the transaction or **any other consideration** relevant to the execution of the transaction (such as market impact) – this is how the particular characteristics of a client transaction can affect how best execution is achieved

As a general rule, the price of the financial instrument and the costs relating to the execution of the order (total consideration) will merit the highest relative importance in obtaining the best possible result. However, the overall result of a particular transaction to a client may be affected by other factors. Therefore, Julius Baer may in specific cases attach a higher importance to other execution factors than the immediate price and cost.

BEST EXECUTION GOVERNANCE FRAMEWORK

Julius Baer has implemented an internal governance framework, including a best execution policy, through which it defines its best execution principles and arrangements. This framework also includes control, monitoring, and review processes, as well as a reporting infrastructure with regard to effective order execution.

An overall review of the best execution policy, and of order handling and execution arrangements, is performed on an annual basis with regard to the completeness and effectiveness of the framework (e.g. whether the selection criteria still lead to the same selection of brokers) or whenever a material change occurs that could affect Julius Baer’s ability to obtain the best possible results for its clients on a consistent basis.

CONFLICTS OF INTEREST

DESCRIPTION

Conflicts of interest may occur when business interests are contrary to one another. If not mitigated, they may result in a financial disadvantage for the client.

TYPES OF CONFLICTS OF INTEREST

The following is a non-exhaustive list of situations in which conflicts of interest may occur in connection with:

- Julius Baer's own (revenue) interest in selling and trading financial instruments, including instruments issued by a Julius Baer entity or another affiliated entity;
- the receipt of compensation from third parties (for details on compensation see the section 'Compensation');
- performance-based compensation of employees and compensation granted to intermediaries (where applicable and permitted);
- relationships (e.g. service, collaboration, or revenue-sharing agreements) that Julius Baer may have with issuers of financial instruments that are offered or recommended to clients.

MEASURES EMPLOYED BY JULIUS BAER TO IDENTIFY CONFLICTS OF INTEREST

In a first step, Julius Baer endeavours to properly identify potential conflicts of interest in order to manage them. Therefore, Julius Baer keeps a register of all identified situations in which an involved party

- is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- has an interest in the outcome of a service provided to a client or of a transaction carried out on behalf of a client that is distinct from the client's interest in that outcome;
- has a financial or other incentive to favour the interests of a client or group of clients over the interests of another client or group of clients; or
- carries out the same business as the client and/or receives compensation in relation to a service provided to the client.

MEASURES EMPLOYED BY JULIUS BAER TO AVOID, MANAGE, OR MITIGATE CONFLICTS OF INTEREST

It is Julius Baer's aspiration to act with professional expertise and integrity. With regard to conflicts of interest, Julius Baer has implemented a separate policy with minimum standards. Employees are obliged to comply with this policy at all times.

Furthermore, Julius Baer has put a broad range of organisational measures in place in order to best identify, avoid, and mitigate conflicts of interest, as illustrated by the following, non-exhaustive overview:

- organisational procedures to safeguard clients' interests (e.g. confidentiality areas, information barriers, separation of responsibilities, technical separation);
- rules on accepting, giving, and disclosing compensation (including gifts and/or entertainment);
- rules with regard to employee account transactions;
- approval and review process for external mandates, secondary employment, and substantial shareholdings of employees.

CONTROLS EMPLOYED BY JULIUS BAER REGARDING CONFLICTS OF INTEREST

Julius Baer has implemented a number of controls at the level of business units as well as independent control functions to ensure that its measures and policy regarding conflicts of interest are adequate and adhered to. Such controls include, among others:

- an independent compliance department that is directly responsible to management and whose duty it is to monitor the identification, avoidance, and management of conflicts of interest; and
- a trade surveillance and reporting framework, supported by automated and state-of-the-art rule engines, to identify abusive or even illegal trading patterns.

DISCLOSURE OF CONFLICTS OF INTEREST AND CONSENT TO PROCEED

Julius Baer makes every effort to identify, avoid, or mitigate any conflicts of interest that could arise with regard to the services offered to clients.

If the measures implemented cannot prevent disadvantages for clients, or only with a disproportionate amount of effort, Julius Baer discloses the conflict in an adequate manner.

COMPENSATION

DESCRIPTION

Compensation is a benefit Julius Baer may receive from another legal entity (including Group companies or third parties) that is not paid directly by a client or on behalf of a client. Charges paid directly by a client to Julius Baer, such as advisory fees, custody fees, or transaction fees (including fees that are part of the issue price of an instrument), are not considered as compensation.

The most common form of compensation occurs between providers and distributors of financial instruments, whereby providers forward part of their revenues from financial instruments to the distributor in exchange for distribution services.

For example, in the area of investment funds, the fund provider charges the investor a management fee for managing the fund assets, which is disclosed in the fund prospectus. The fund provider may use part of the revenues generated with this management fee to remunerate distributors such as banks or financial advisers for access to their distribution network, or for the administrative efforts they need to undertake when distributing the fund provider's products.

REGULATION OF COMPENSATION

Because compensation may lead to potential conflicts of interest, its receipt and payment are strictly regulated. Clients must either be properly informed about the existence of such compensation and waive the right to have such compensation passed on, or Julius Baer needs to pass on the compensation received to the client.

COMPENSATION RECEIVED BY JULIUS BAER

In general, Julius Baer offers compensation-free Discretionary Mandates (if applicable). Within the scope of Advisory Mandates, Julius Baer endeavours to recommend best-in-class investment products (both compensation-free and compensation-loaded products), always taking into account suitability and appropriateness as well as potential investment restrictions by the investment product itself.

CALCULATION OF COMPENSATION

The amount of compensation depends on the financial instrument, its provider, and the volume of assets invested in the financial instrument.

The client explicitly accepts that Julius Baer is entitled to receive and retain such compensation according to the conditions set out in the relevant service agreements and/or other bank forms.

COMPENSATION PAID BY JULIUS BAER TO THIRD PARTIES

If Julius Baer has established a business or account relationship with a client, e.g. through a third party acting as intermediary, Julius Baer may pay the third party a respective fee (revenue, transaction, or asset-based) on a one-off and/or ongoing basis. Whenever a client is served by a financial intermediary while using Julius Baer for custody and the execution of trades, Julius Baer may pay such intermediary a collaboration fee on a one-off and/or ongoing basis.

Julius Baer informs its clients about the existence and nature of such payments to third parties if such relationships exist. In addition, any such party must comply with its own obligations associated with compensation, particularly regarding restrictions on receipt, disclosure obligations, and the handling of conflicts of interest, in accordance with the intermediaries' own business relationship with the client. Julius Baer assumes no responsibility for the obligations of a third party in this respect.

RISKS IN FINANCIAL INSTRUMENTS TRADING

Investments in financial instruments (e.g. equities, bonds, funds, structured products) contain opportunities but also bear risks. It is of utmost importance that clients understand the risks of the financial instrument they are investing in. The brochure 'Risks Involved in Trading Financial Instruments' of the Swiss Bankers Association (SBA) contains general

information on typical financial services and on the characteristics and risks of financial instruments.

The brochure 'Risks Involved in Trading Financial Instruments' can be downloaded from www.juliusbaer.com/fidleg or obtained through the client's relationship manager or contact person.

PRODUCT INFORMATION

In addition to the brochure 'Risks Involved in Trading Financial Instruments', corresponding product information sheets (e.g. KID) are available for many

financial instruments, if they are provided by the manufacturer.

COMPLAINTS HANDLING

Client feedback and complaints are best addressed directly to the client's dedicated relationship manager or contact person.

Clients should include the reason as well as their contact details and account number in their written complaint. Julius Baer will endeavour to handle all feedback and concerns as quickly as possible.

If a client perceives a response to be inadequate, Julius Baer would like to be informed so that the situation can be rectified. Should a client be dissatis-

fied with the way Julius Baer has dealt with their concern, the client may contact the Swiss Banking Ombudsman.

Contact details

Swiss Banking Ombudsman
Bahnhofplatz 9
P.O. Box
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Switzerland
www.bankingombudsman.ch

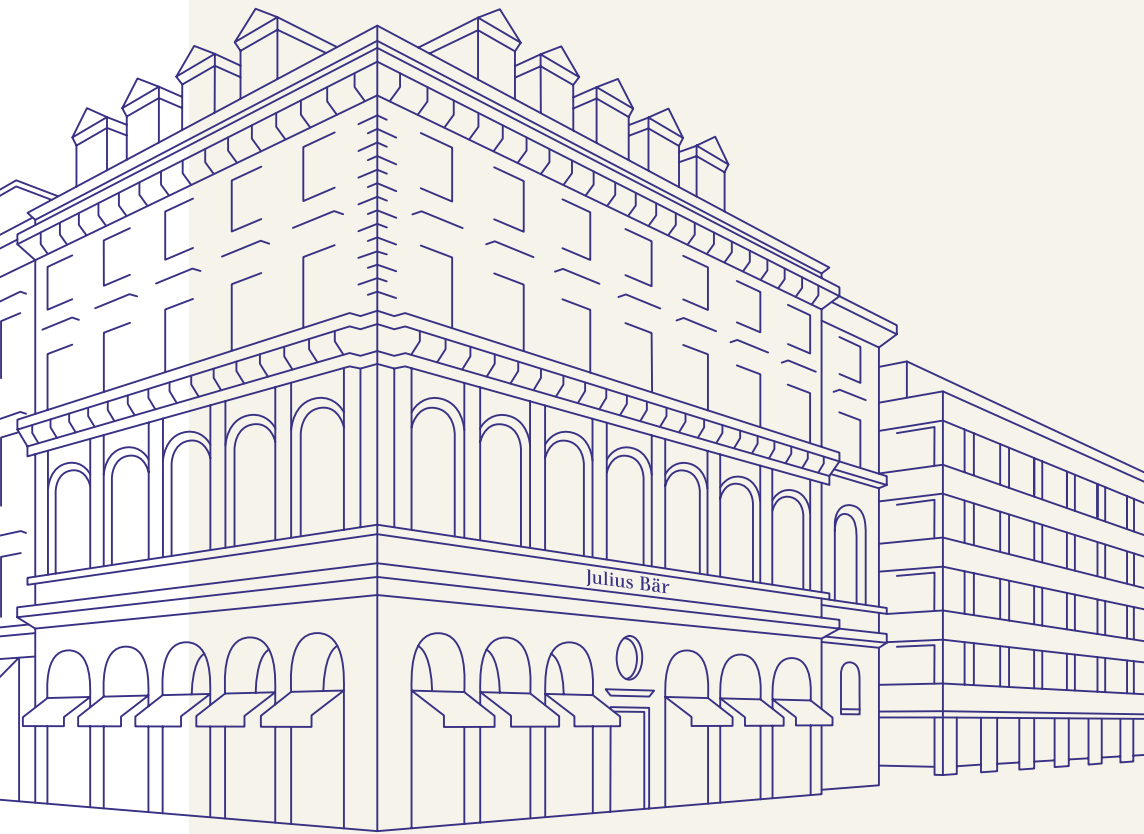
IMPORTANT LEGAL INFORMATION

This brochure was created exclusively for clients of Bank Julius Baer & Co. Ltd., Switzerland.

Although it has been thoroughly checked, Julius Baer does not accept any liability for the adequacy, accuracy, completeness, or correctness of the content of this brochure as, in particular, specific details may have changed following its publication.

The General Banking Conditions (GBC) of Julius Baer or any other special agreement concluded between the client and Julius Baer shall always apply.

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The Julius Baer Group
is present in more than
60 locations worldwide,
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Montevideo, Moscow, Mumbai,
Singapore, and Tokyo.

06.2020 Publ. No. FO02112

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