

General Terms, Conditions and Information brochure

General Terms and Conditions

Special Risks in Securities Trading

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GENERAL TERMS AND CONDITIONS

All relations between FAB Private Bank (Suisse) SA (the “Bank”) and its contracting party/ies (the “Client”) shall be governed by these General Terms and Conditions, in the absence of any other special agreements. For the sake of clarity, the Bank uses only masculine pronouns herein and on its forms. This should be understood to mean both the masculine and feminine forms or a corporate contracting party.

Article 1 – APPLICABLE LAW AND JURISDICTION

All relations between the Client and the Bank shall be subject solely to Swiss law. Any litigation that may arise from this relationship – whatever its legal grounds – shall be submitted to the exclusive jurisdiction of the ordinary courts of the Canton of Geneva. The Bank nevertheless remains entitled to file action before the courts of the Client’s place of domicile as well as before any other appropriate court or authority, both in Switzerland and abroad, whereas Swiss law shall remain applicable.

The Client may appeal to the Swiss Banking Ombudsman, a neutral mediator whose services are free of charge. The Swiss Banking Ombudsman deals with specific complaints raised by Clients against banks based in Switzerland. The procedure is described on the website of the Swiss Banking Ombudsman: it is a voluntary out-of-court procedure which mediates between the parties and works towards an amicable solution. The Swiss Banking Ombudsman proposes a non-committal negotiated settlement; the parties are then free to accept or reject it. The Swiss Banking Ombudsman is bound to professional secrecy and acts only with the Client’s approval.

Article 2 – RIGHT OF DISPOSAL AND SIGNATURE VERIFICATION

- 2.1. Only the Power of Attorney forms and specimen signatures provided to the Bank shall be considered to be valid, unless and until the Bank is notified in writing that they have been revoked or changed in any way. The Bank shall not be required to consider any deviating entries or items in the Commercial Register or in Swiss or foreign publications.
- 2.2. The Client shall bear the consequences of any debits or transactions on his account resulting from the fact that a fraudulent order was given by an authorised person and this was undiscovered by the Bank, except in the case of gross negligence on the part of the Bank.
- 2.3. The provisions regarding orders submitted by telephone, facsimile messages or any other electronic means of communication are reserved.
- 2.4. The Client is solely liable regarding any possible abuse or damage it may suffer as a result of any transaction(s) carried out by the signatory on an account. The Bank will not enquire as to the reasons for which an authorised signatory of an account wishes to carry out a given transaction.

Article 3 – ACCOUNT WITH MORE THAN ONE ACCOUNT HOLDER

- 3.1. If several persons are holders of a single securities account, current account or safe-deposit box, they must, in dealing with the Bank, act together or through one or more joint representatives appointed by them. However, each of them may individually revoke the power of attorney given to a joint representative.
- 3.2. The Joint Account Agreement shall be applicable and the transactions on the account shall be carried out according to the options (1 and/or 2 of the “Joint Account Agreement”) signed by all the Account Holders and set out therein.

Article 4 – WITHDRAWAL OR DEPOSIT OF FUNDS OR ASSETS

- 4.1. Whenever there are instructions regarding the withdrawal of funds in cash, the Bank reserves the right, at its own discretion, to ask the Client for the reference of a bank account on which a transfer is to be made instead of the cash withdrawal.
- 4.2. In the case of cash deposits, if the notes received by the Bank are revealed to be counterfeit, they will be immediately confiscated and handed over to the Police in accordance with Swiss law. The amount credited on the Client’s account shall be reversed. At the Client’s request, a receipt to this effect can be established.

Article 5 – PAYMENT TRANSACTIONS

- 5.1. In order for a transaction to be processed, the Client must have an account balance or an account credit limit at the time of execution, at least equivalent to the amount of the payment order.

Where the Bank is given a series of orders whose amount exceeds the client's available balance or granted line of credit, it may execute such orders in full or in part, as it sees fit, regardless of their date or of the time they were received.

The Client acknowledges and agrees that, depending on the payment transaction and processing, data may be sent abroad even if a domestic payment transaction is being made, e.g. if the payment amount is not in Swiss francs.

In addition, the client acknowledges that data transmitted abroad is no longer protected by Swiss law, but instead subject to the law of the foreign jurisdiction in question, and that foreign laws and orders of authorities may require this data to be passed on to competent local authorities or other third parties.

As a result of the above, the Client understands and accepts that a payment transaction may be intercepted, delayed, suspended, confiscated or even cancelled and can, at any time, be subject to further investigations by the Bank or the relevant correspondent banks.

- 5.2. The Client acknowledges that the payment amount will be credited by the Bank solely on the basis of the IBAN or any similar adopted way of transfer, without comparing the data being transmitted with the name and address of the person/s designated as beneficiary. The Bank reserves the right to nonetheless make such a comparison at its discretion and to reject a payment in the event of discrepancies.
- 5.3. Funds received in a currency for which the Client has no corresponding current account are to be credited at the Bank's discretion in the reference currency designated by the Client or maintained in the currency received.
- 5.4. In the case of receipt of funds whose transfer order contains incomplete, incorrect or ambiguous information (e.g. no or no-existent IBAN or account number, missing or deficient data regarding the remitter), the Bank may, before any application of funds, either request additional information as well as a corrected or supplemental payment instructions from the financial intermediary which transferred the funds, or alternatively returns the funds received. The Bank shall not be liable to the Client for any resulting delays in the credit or rejection.

Article 6 – LEGAL INCAPACITY

- 6.1. The Client shall inform the Bank immediately in writing of any legal incapacity on the part of his authorised signatories or other third party acting on his behalf. Should the Client fail to do so, or if it is the Client himself who is subject to legal incapacity, the Client shall bear all risks, including damage, resulting from the legal incapacity, unless the Bank is in breach of the standards of care and diligence customary in the business.
- 6.2. The Bank may, depending on the circumstances and at its own discretion, take provisional measures (particularly freezing measures) or alternatively decline to take note of an allegation of legal incapacity until the Bank deems that sufficient evidence is available (such as a court ruling placing the Client under legal guardianship or protection).
- 6.3. Even where notification of legal incapacity has been made in an official publication in Switzerland or abroad, the Bank shall assume no liability.

Article 7 – CLIENT'S OBLIGATION TO DISCLOSE INFORMATION TO THE BANK

- 7.1. The Client hereby undertakes to provide the Bank, either voluntarily or at the Bank's request, with the information required for it to fulfil its contractual or regulatory obligations, in particular the information associated with anti-money laundering regulations. In particular, in order to open and continue a business relationship with the Client, the Bank must fulfil its duties under the law and the self-regulation standards of the banking sector: identification of the owner of the business relationship, identification of the beneficial owner of the deposited assets, and identification of the other persons who have access to the account (e.g. authorised representative) or the structure controlling the assets. If these persons are not identical with the owner of the business relationship, they do not have the legal status of a Client of the Bank.
- 7.2. The Client hereby represents and warrants to the Bank that all information supplied to the Bank concerning the account, his personal situation or concerning a particular transaction is true, complete and accurate in all respects.

Article 8 – PERSONAL AND TAX STATUS OF THE CLIENT

- 8.1. The Client shall be responsible for providing the Bank with the information required for the Bank to fulfil its contractual or regulatory obligations, either voluntarily or at the Bank's request.
- 8.2. The Client undertakes to inform the Bank within thirty (30) days of any change in his situation, in particular a change of tax domicile, nationality or registered office as well as a change regarding the beneficial ownership of the assets on the account.
- 8.3. The Client shall be held liable by the Bank for any damages which may result from receiving incorrect information about the Client's personal or tax status.

- 8.4. The Bank recommends that the Client take advice from a tax expert in the jurisdiction of his tax domicile and it shall assume no liability for claims relating to the types of investment or the administration of the Client's assets by the Bank which may result from the lack of such advice or from incorrect or insufficient advice.
- 8.5. In complying with the laws and rules of professional conduct, the Bank may request that the Client furnish proof of fiscal compliance. If the Client does not provide such proof within the given period, the Bank reserves the right to take conservative measures, such as the blocking of business relations, or the interruption of the business relations according to the modalities deemed appropriate under the respective circumstances.
- 8.6. **Mandatory provisions which apply in compliance with the place of residence or nationality of the Client. If the Bank is prosecuted or forced to pay a fine to Swiss or foreign authorities as a result of assets on the account not being tax compliant, the Client acknowledges that the Bank will pass on this amount to the Client and charge it to his account.**

Article 9 – REQUIREMENTS OF TAX AUTHORITIES

- 9.1. Based on the agreements signed by the Swiss Government and third countries, the Bank may be required to report certain information about Clients (or their direct and indirect owners or their trustees and beneficiaries in the case of legal persons) and about the Client's relationship with the Bank, including information about the Client's accounts and other banking products related to the accounts:
 - to the Swiss authorities, which may then pass on that information to the tax authorities in another country where the Client may be subject to tax;or
 - directly to the tax authorities in other countries (such as the United States of America) where the Bank reasonably thinks or should presume the Client is subject to tax.
- 9.2. Where the Bank is required to report information about the Client and his accounts and/or the Client's relationship with the Bank, this information includes (but is not limited to) the account number, the amount of interest paid or credited to the account, the account balance, the Client's and or beneficial owner's name, address, country of residence and social security number or tax identification number. In addition, the Bank may require the Client to provide further information, documents or attestations regarding the Client's identity, tax residence and nationality.
- 9.3. If the Client does not furnish the Bank with the information or documents required by the Bank to comply with the requirements of tax authorities, the Bank may withhold a portion of the available balance, including interest, paid to the Client as required by a tax authority, close the account and/or terminate the Client's banking facilities or transfer the account and/or banking facilities to an affiliate of the Bank.
- 9.4. If the Client asks the Bank to make a payment to an account held with a financial institution which does not participate in or comply with the relevant tax legislation, the Bank may be required, and the Client authorises the Bank, to withhold certain amounts from the payment; the Bank shall inform the Client if this is the case.
- 9.5. The Bank shall not be held liable to the Client for any loss the Client may suffer as a result of complying with legislation or agreements with tax authorities in accordance with this provision unless that loss is caused by gross negligence, wilful default or fraud on the part of the Bank.

Article 10 – NOTIFICATIONS FROM THE BANK

- 10.1. Communications from the Bank are deemed to have been properly delivered if they are sent to the most recent address provided by the Client. The date shown on the copy kept by the Bank, or indicated on its dispatch list, shall be deemed the date of sending. The Client shall inform the Bank without delay of any change in the mailing address. All consequences of a delay in informing the Bank of such changes shall be borne exclusively by the Client. The frequency of the correspondence sent to the Client is quarterly for the portfolio and account statements and daily for the advices.
- 10.2. Where the Bank has been instructed to hold mail, the Client shall be deemed to have received each mail item as of the date shown on it. Any risks which may arise from this arrangement, including risk of late claims, are borne by the Client. The Client must endeavour to make regular visits to collect the correspondence held by the Bank. The Bank shall assume no liability for holding mail if instructed to do so. It reserves the right to destroy mail thus held if said mail is not collected by the Client within three (3) years from the date shown on each communication. The Bank reserves the right to keep data and documents in electronic or similar format instead of the original physical documents. The Bank may contact the Client at any time and in the manner which it deems appropriate if it thinks that it is justified by the circumstances (e.g. changes in legislation, measures taken or announced by authorities, stock exchanges or other offices), irrespective of any instructions to the contrary that were issued by the Client or are contained in separate agreements.

Article 11 – ERRONEOUS TRANSMISSION

11.1. If use is made of postal services or a shipping company, telegraphic, telephone, telex, facsimile, electronic mail or any other means of communication or transport, the Client shall assume all the risks and bear all the consequences this may entail and, unless there is gross negligence on its part, the Bank shall assume no liability with respect to whether messages are authentic, confidential, understandable, misrouted, delayed, lost or not received in full, or whether there may be identification errors.

Article 12 – FAILURE TO EXECUTE INSTRUCTIONS OR ERRONEOUS EXECUTION OF INSTRUCTIONS

12.1. In the event of loss or damages resulting from non-execution or incorrect execution of orders (with the exception of stock exchange orders), the Bank shall, unless there has been gross negligence on its part, be liable only up to an amount corresponding to the Client's loss of interest, unless the Client's attention had been drawn in writing to the risk of more extensive damages.

12.2. In all cases, unless there has been gross negligence on its part, the Bank's liability shall be limited to the amount directly lost by the Client on the transaction concerned and shall not extend to any liability for other indirect or additional damages.

12.3. The Client must give its orders to the Bank in a clear and precise manner and in particular clearly state the beneficiaries of its orders (name and account number). If any orders are amended, confirmed or repeated, the Client must mention that these are amendments, confirmations or repetitions. The Bank shall incur no liability regarding any ambiguous or unclear orders given by the Client.

Article 13 – VALUE ESTIMATIONS

13.1. The estimates given to the Client regarding the value of the assets booked on the Client's account are given for information purposes only. The Bank establishes them based on the elements and data in its possession; the Bank shall incur no liability towards the Client regarding their actual value.

Article 14 – OBJECTION BY THE CLIENT AND FORFEITURE OF HIS RIGHTS

14.1. The Client shall have thirty (30) days to make any complaint or objection in writing with respect to the execution or non-execution of instructions of any kind, or to statements of account or any other information provided by the Bank, starting from the date of receipt of the documents concerned or the date on which they are placed in the Client's Hold files. If the Client does not receive advices or notifications which he is expecting, the above period shall commence on the date on which such advices or notifications would normally have been received or placed in the Client's Hold files.

14.2. If no complaint or objection is made in writing to the Bank within the above period of thirty (30) days, the transactions carried out by the Bank, as well as its statements of account and other notifications, shall be considered to have been approved by the Client. Where a statement of account has been expressly or tacitly approved, such approval shall extend to all transactions booked as of the closing date, as well as to any objections expressed by the Bank.

14.3. The Bank reserves the right to require the Client to sign a document approving the statement of assets in the Client's account.

14.4. Upon activation of the e-banking services, bank notifications, advices and account statements are dispatched electronically via the e-banking system. Electronic Documents shall be deemed duly received by the Client once they are uploaded by the Bank in the Electronic Services facility. The thirty (30) days objection period shall start from the date of the upload of the electronic documents by the Bank. However, the Client can request in writing, to not receive the correspondence via Electronic Banking and to only receive the original correspondence at the approved address or hold-mail.

14.5. If, in addition to the Electronic Banking correspondence, the Client receives paper versions of the advices and statements, then these shall constitute secondary documents (copies), and the thirty (30) days objection period will only apply to the electronic documents.

Article 15 – INSTRUCTIONS GIVEN BY TELEPHONE, FAX AND/OR BY ELECTRONIC MAIL

15.1. If the Client has expressly empowered the Bank to communicate with him or with the appointed authorised persons by telephone, fax and/or electronic mail, and instructs the Bank to execute electronically transmitted orders, the special terms and conditions mentioned in the Contract for the opening of an account applies.

15.2. Where the Client has chosen the option not to transmit to the Bank instructions by electronic means of communication, the Bank shall assume no liability for refusing to execute orders transmitted by such means. In all cases, the Bank shall be considered to be authorised to communicate with the Client using electronic means.

15.3. The Bank explicitly draws the Client's attention to the risks associated with the use of these means of communication. Although under no obligation to do so, the Bank reserves the right to require written confirmation of any order or instruction given by any form of telecommunication. **Consequently, a Client who wishes to use the Internet to communicate with the Bank shall alone assume all the risks and bear all the consequences which such use may entail.**

Article 16 – RECORDING OF TELEPHONE CONVERSATIONS

16.1. For the purpose of ensuring that oral instructions or other messages received from the Client or third parties are authentic and understandable, the Client agrees to allow the Bank to record all telephone conversations between its staff members and the Client, the Client's attorneys or any other third parties. In the event of dispute, the Bank reserves the right to use such recorded conversations as evidence. The Bank retains the records as long as required or permitted by law, and as long as considered necessary.

Article 17 – CREDIT CARDS AND HELD MAIL

17.1. Clients who receive credit cards through the Bank and request the Bank to retain their mail and to receive and pay their bills by debiting their accounts shall accept the risk of using their credit cards, in particular the risk of not being able to challenge their bills within the specified time limits. Clients shall relieve the Bank of any liability for damages which may result from the use of their credit cards.

17.2. By requesting a credit card, the Client gives the Bank permission to provide to the Credit Card Company the necessary guarantees relating to his application for a credit card and agrees that his portfolio be pledged against the said guarantee.

17.3. When the Client has instructed the Bank to debit his account with the credit card invoices, the Client understands and agrees that full payment will be made on receipt of the monthly credit card invoice.

Article 18 – RIGHTS OF PLEDGE AND LIEN

18.1. As security for any claims which the Bank holds or may hold against the Client arising out of their relationship, irrespective of the legal grounds for such claims, the Client agrees that the Bank shall have a right of pledge and lien on all securities, precious metals, holdings, claims, accounts or other assets and valuables which are currently or may in the future be held, managed or booked by the Bank for the Client's account, either directly or through correspondents retained by the Bank, or other group companies.

18.2. If the Bank judges that the value of the assets subject to the said pledge or lien is not sufficient to secure a claim, it shall be entitled to require the Client to add to the existing cover within a specified period of time. If the Client fails to do so or in case of an emergency, the Bank's claim shall become immediately payable.

18.3. If the Bank's claim has become payable for whatever reason, the Bank shall be entitled, without further notice and without having to comply with the forced execution procedure laid down by law, to sell all or part of the assets pledged, up to the amount of its claim plus interest, commissions, expenses and all incidental items, within such period and in such manner and order as it shall see fit, either on a stock exchange or through private transactions.

18.4. The Bank may, if appropriate, purchase the pledged assets itself at their market value as determined by market conditions.

18.5. The Bank shall keep its rights under this provision as long as the Client holds an account in its books. These rights exist without prejudice to any other rights or guarantees that may have been granted to the Bank.

Article 19 – RIGHTS OF SET-OFF

19.1. The Bank is authorised to set off the debtor and credit balances of the different accounts opened by a Client in its books; however, it also has the right to claim each account balance separately.

19.2. The Bank may also set off the Client's accounts against one another, irrespective of the maturity dates of the assets held in such accounts and whether or not the accounts are in the same currency.

19.3. The right of set-off exists even if the claims at issue are not of identical nature. The right of set-off may also be exercised regarding any assets the Bank may receive from any third parties on the Client's behalf after the end of the business relationship.

Article 20 – CONFLICTS OF INTEREST

20.1. The Bank hereby draws the Client's attention to the fact that, because of its business lines, e.g. asset management and financial advice, issuance of securities, trading for its own account and for the account of third parties, creation and corporate

finance services, it may provide services and advice to Clients whose interests may be opposed to or in conflict with the Client's own interests. In addition, the Bank and its various units and affiliates may have an interest in certain transactions.

- 20.2. The Bank undertakes to ensure that its internal organisation is appropriate to avoid conflicts of interest entirely or to ensure that the Client's interests are taken into account in an equitable manner when such conflicts do arise.

Article 21 – CURRENT ACCOUNTS AND FOREIGN CURRENCY ACCOUNTS

- 21.1. Statements of account are normally dated as of the end of each quarter. When transactions involving the crediting or debiting of the current account are booked, the respective claims of the Client and the Bank are automatically offset. Consequently, the Client may not claim any refunds in excess of the net credit balance of the account booked at a given time. If the Client has approved a statement of account, whether expressly or tacitly, the balance of the account shall be considered to be correct and the Bank may press any claims against the Client without having to refer to transactions booked previously.
- 21.2. All amounts received or transfers executed by the Bank shall be credited or debited up to the amount of the available balance or of an outstanding loan, in the relevant currency, or, in the absence of an account in such currency, in the Client's reference currency, unless the Bank is instructed otherwise. The same shall apply to securities income and redemptions. Charges shall be debited in the reference currency, unless the Client has instructed otherwise. Credits in favour of the Client's account are made subject to actual receipt by the Bank of the amount or assets to be credited.
- 21.3. If the total amount of orders is in excess of available balances or the outstanding loans extended to the Client, the Bank shall, at its discretion, decide which orders shall be executed in whole or in part, irrespective of the dates on which the orders were given to and received by the Bank. The Bank shall also be authorised to offset any debit balances against the amounts available in other currencies or in other accounts of the Client.
- 21.4. The Client undertakes to notify the Bank immediately of any funds credited erroneously to the Client's account and to reimburse that amount. The Bank may, without prior notice, reverse any transactions credited by error to the Client's account and advise the Client accordingly.
- 21.5. If the Client's account is credited with an amount on the basis of a money order, transfer advice or any other transaction for which the Bank is not required to credit the amount to the Client before having received the amount concerned, the credit advice or statement of account sent to the Client shall, even if not so specified, be considered to have been issued "subject to collection", i.e. provided that the amount accruing to the Bank has been transferred to it via a credit entry in the Bank's account with one of its correspondents or in any other way.
- 21.6. The Bank accepts no liability for being unable to obtain a given foreign currency due to restrictions, compulsory transfers, foreclosures of any kind, decisions by the authorities in power, or any other similar factors beyond the Bank's control.

Article 22 – LEASE OF A SAFE-DEPOSIT BOX

- 22.1. The Bank shall take all usual precautions to ensure the protection, surveillance and security of the safe-deposit boxes. The Bank shall be liable only for damages resulting from its failure to observe this obligation and provided that serious negligence on the part of the Bank has been established. However, the Bank does not accept any other liability, in particular for damage caused by atmospheric conditions, such as humidity or lack of humidity in the air. When leasing a safe-deposit box, the Client should take out any insurance he might deem necessary for the protection of the property deposited therein. The Bank shall not be responsible for the contents of the safe-deposit boxes.
- 22.2. The safe-deposit boxes are rented for a fixed period. Unless the safe-deposit box rental contract is terminated at least one month before it is due to expire, the contract shall be deemed to be renewed for another year. However, the Bank shall have the right to terminate the rental contract at any time, without giving reasons, by sending a letter addressed to the lessee at the latter's last known address. In such cases, the lessee may request reimbursement of the portion of rent paid in respect of the outstanding period.
- 22.3. The Bank shall not accept any declaration of value for the objects placed in the safe-deposit boxes.
- 22.4. The rental charge for the safe-deposit box shall be payable in advance and shall be received annually at a date set by the Bank, according to the rate then in force. The Bank may change the rate, on simple notice. If there is a tacit renewal of the rental agreement, the new rate shall apply. The Client hereby authorises the Bank to debit his account directly for the amount of rent and any expenses resulting from the Agreement for the Lease of a Safe-Deposit Box.
- 22.5. The Agreement for the Lease of a Safe-Deposit Box shall not be assigned or transferred. Subletting the safe-deposit box is also forbidden.

- 22.6. The safe-deposit boxes cannot be used for any purpose other than storing securities, documents, currency, precious metals, jewellery and works of art, and shall not be used to contain any illegal objects such as drugs. The Client is not authorised to keep in his safe-deposit box any items or substances that may pose a threat to the safe-deposit box or the items stored in other safe-deposit boxes, or any object likely to create a danger of any kind whatsoever. Use of the safe-deposit box for any other purpose is subject to the Bank's express authorisation. The Client is liable for any damage resulting from wrongful use of the safe-deposit box or any use thereof contrary to the terms of this contract. The Bank shall have the right to examine the contents of the safe-deposit box to verify the nature of the objects placed therein, in the presence of the Client or the Client's authorised representative.
- 22.7. When the keys are delivered to the Client, the Bank may request the latter to provide a guarantee deposit. At the leaseholder's request and subject to the payment of a fee, the key(s) may be left with the Bank in a sealed envelope.
- 22.8. The Client shall take proper care of the key(s) and shall be liable for any wrongful use thereof. If the Client loses the key(s), he is bound to inform the Bank immediately so that the latter may, at the Client's expense, take the necessary security precautions (changing the lock, forcing open the safe-deposit box, etc.).
- 22.9. The Client may grant a power to one or more third parties to dispose of the contents of the safe-deposit box. Such power shall be granted in writing through the Bank's specific form. To be accepted as valid by the Bank, any revocation of a Power of Attorney must be notified in writing.
- 22.10. The safe-deposit boxes may be visited during the opening hours of the Bank. The Bank reserves the right to deny access where this is not possible as a result of, in particular, technical obstacles or cases of force majeure.
- 22.11. To gain access to the safe-deposit box, the Client, or his representative, shall prove his right to do so to the Bank's satisfaction.
- 22.12. On expiration of the rental agreement, the Client shall return the key(s) of his safe-deposit box to the Bank in perfect condition. If the key(s) is/are damaged or lost, the Bank shall take the measures described in Art. 21.8 above, at the Client's expense. On expiration of the contract, if the Client or his representative does not respond within thirty (30) days to the Bank's written request for the return of the key(s) and payment of the outstanding balance due under the contract, the Bank shall have the right, at the Client's expense, to open the safe-deposit box in the presence of two witnesses, without having to initiate judicial proceedings or to have a public officer in attendance, and shall freely dispose of the contents of the said safe-deposit box to ensure payment of all debts owed to it by the Client. In such cases, the Bank shall draw up an inventory of the contents of the safe-deposit box and shall retain the contents on deposit on behalf of the Client or shall deposit the contents with the court. The written request is deemed to have reached the Client if sent by mail to the last address known to the Bank for the latter.

Article 23 – DEPOSITS OF SECURITIES AND OTHER ASSETS

23.1. OPEN DEPOSIT OF SECURITIES, PRECIOUS METALS AND COINS

- 23.1.1. The Bank shall assume custody of all types of security, document, precious metal and coins on open deposit. It shall also administer unsecuritised investments, in particular registered shares whose printing has been deferred and all other types of rights, and shall book them accordingly. As used hereinafter, the term "security" shall also apply to investments which are not securitised.
- 23.1.2. The Bank shall keep the deposits made with it in a safe place, and unless otherwise agreed with the Client, it shall be authorised to deposit securities and other assets with its correspondents in Switzerland or abroad in its own name but for the account and risk of the Client, in which case the deposits shall be administered by the said correspondents in compliance with local practices and regulations. In the event of error, omission or faulty execution on the part of a correspondent, the Bank shall be liable only for the care with which it selected and instructed such correspondent. The Bank shall also be authorised to keep securities and precious metals in a pooled internal deposit or with a collective deposit agency, except in the case of securities which require separate custody.
- 23.1.3. The Bank shall perform the routine administration of securities transactions. Where the printing of securities is deferred, the Bank shall be authorised to have them converted into paperless rights, to perform routine administration throughout the time they are held, give the issuer whatever instructions may be required, obtain whatever information may be required from the issuer and require that the securities be delivered at any time.
- 23.1.4. If registered securities belonging to a Client are registered in the name of the Bank or a company designated by the Bank in a fiduciary capacity for the purpose, the Bank may require that the securities remain on deposit with it.

23.2. REPRESENTATION AT GENERAL MEETINGS

- 23.2.1. The information which the Bank receives in connection with general meetings is made available to the Client only at his express request. The Bank shall not be required to inform the Client of the dates on which annual or special

shareholders' meetings of the companies whose shares it holds for the Client's account will be held, nor of the items on the agendas of such meetings. The Bank shall not exercise the right of vote linked to the said shares.

23.3. RESPONSIBILITIES OF THE CLIENT

- 23.3.1.** Unless otherwise agreed in writing, the Client shall be responsible for taking whatever action may be necessary to safeguard the rights attaching to the assets on deposit, e.g. give instructions to exercise or sell subscription rights, exercise options, make payments for partly paid shares and convert instruments. Failing instructions from the Client, the Bank may take such action itself on the basis of what it presumes to be the Client's intention but without assuming any liability therefor.
- 23.3.2.** The Client alone shall also be responsible for taking whatever action may be necessary to comply with Swiss or foreign legal obligations in relation to the assets held on deposit with the Bank, such as the obligations to disclose equity interests in listed companies in excess of the limits specified by law and/or their Articles of Association. The Bank shall assume no liability in that respect. If necessary, the Client undertakes to indemnify and hold the Bank harmless for any damages which it and/or its Clients may suffer as a result of non-compliance by the Client with Swiss or foreign obligations.

Article 24 – SALE / PURCHASE OF SECURITIES

- 24.1.** In principle, the Bank shall act only as an agent for all buy and sell orders, irrespective of whether or not they concern assets incorporated in securities. As such, it shall act in its own name but for the Client's account and risk. In the case of some specific investments, the Bank reserves the right to act in the Client's name with the Client's consent. The Bank may act as the Client's direct counterparty provided that it is not detrimental to the Client.
- 24.2.** The Bank shall, at its sole discretion, be entitled to cancel revocable or open orders which have not been executed before the end of the third month following the date of their receipt by the Bank.
- The characteristics and risks of certain types of transaction are described in detail in the brochure "Special Risks in Securities Trading", published by the Swiss Bankers Association, which has been given to the Client as accompanying the Bank's account application forms.
- 24.3.** The terms and conditions governing transactions in derivatives and alternative investments are laid down in a separate agreement.
- 24.4.** In addition, the Client is aware of the fact that some stock exchanges impose position limits, and he undertakes to comply with those limits with respect to his total positions, irrespective of whether he trades through one or more banks. The Client should inform the Bank in advance when a limit will be crossed.
- If the position limits authorised to buy and/or the reporting thresholds set by the regulations of the stock exchanges concerned to monitor position limits are exceeded, the Client authorises the Bank to disclose his identity or his positions, or to liquidate his positions, if the Bank is requested to do so by a stock exchange or by regulations.
- 24.5.** The Client shall indemnify and hold harmless the Bank against all or any liability, obligation, losses, damages, taxes, duties, claims, expenses and disbursements of any kind which may be imposed on or incurred by or asserted against the Bank in any way relating to, arising from, or as a result of non-compliance by the Client with Swiss or foreign stock exchange liabilities or obligations, in particular, in relation to the shareholding disclosure regimes. The Bank shall assume no liability and does not accept any responsibility to inform the Client in relation to the crossing of the said threshold.

Article 25 – POSITION OF THE BANK REGARDING THE FINANCIAL INSTRUMENTS OF THE CLIENT

- 25.1.** The Bank is not obliged to:
- file claims, in particular claims for damages regarding instruments or assets acquired by the Client;
 - transmit to the Client all communications it may receive, in particular regarding possible legal proceedings that might be filed further to the acquisition of certain assets.

Article 26 – CLIENT'S POSITION IN THE ABSENCE OF A MANAGEMENT AGREEMENT

- 26.1.** If there is no Management Agreement, the Client must give instructions to the Bank in good time so as to enable the Bank (against the covering of its costs) to carry out the necessary steps and to take the appropriate measures to maintain or increase the value of the Client's assets, i.e. in particular:
- to convert assets;
 - to purchase, sell or exercise subscription rights, rights of conversion or options;
 - to pay the remaining balance due regarding securities, bills, security rights or any other rights which are not fully paid in.

If the Client fails to give instructions to the Bank or if the Client's instructions do not reach the Bank in due course, the Bank is entitled (but is under no obligation) to take action according to its own appreciation and in the interests of the Client. In this case, the Client may under no circumstances hold the Bank responsible for the damage he may have suffered as a result thereof.

Article 27 – CHEQUES, BILLS OF EXCHANGE AND OTHER SIMILAR INSTRUMENTS

27.1. In the event of non-payment of bills of exchange, cheques or other instruments presented for collection or discounting, or if the relevant amounts are not available, the Bank may reverse amounts credited to the Client's account. Until a debit balance has been cleared, the Bank shall be entitled to payment of the total amount of the bill of exchange, cheque or any other instrument from any person who has undertaken to make such payment, whether the Bank's claim is a claim under negotiable instrument law or any other kind.

Article 28 – DATA PROTECTION AND CONFIDENTIALITY

28.1. Within the limits of the laws protecting the fundamental rights of persons whose particulars are subject to processing, the Bank shall be authorised to store the Client's personal data electronically with due care and to process said data by computer or in any other way, most particularly so that it may fulfil its due diligence obligations, execute any and all transactions, manage and/or administer the Client's account and use data in assessing creditworthiness or performing statistical analysis.

28.2. In case of theft or any other illegal misappropriation of data, the Bank is liable only for gross negligence.

Article 29 – OUTSOURCING

29.1. The Bank reserves the right to outsource, in whole or in part, certain areas of the business to the FAB Group.

If the Bank uses its right to outsource, the Client will be informed through the Bank's annual report.

29.2. It also delegates on a long-term basis to a Swiss agent, within the framework and under the conditions authorised by the applicable banking legislation and regulations, the execution and provision of its core banking system and back-office activities including maintenance and support of IT systems, storage data and archiving, and the handling of all correspondence.

29.3. The Bank will ensure by appropriate organisational and technical measures that the requirements arising from professional and banking secrecy, as well as from the data protection legislation, are fulfilled.

Article 30 – BANKING SECRECY

30.1. The Bank's executive bodies, personnel and contractors are bound by banking and business secrecy. The Client takes note that the duty of confidentiality does not apply without restrictions. The Bank has to provide Swiss authorities and third parties, as well as foreign authorities, in applying the provisions governing legal assistance and in the cases foreseen by law, with information about the Client, particularly in the case of:

- requests in connection with judicial procedures;
- requests by the supervisory authority;
- obligations to notify in connection with the fight against money laundering and the financing of terrorism;
- requests by other administrative authorities;
- requests by foreign authorities within the scope of administrative and legal assistance in judicial, administrative and tax matters;
- the obligation to mention the initiator, his account number or further data (e.g. place of birth and passport number) in authorised payment orders for domestic or foreign payments. This information becomes the property of the international payment systems without the possibility of its use being restricted.

Moreover, the Client releases the Bank from the duty of confidentiality if the intended account activity, whether direct or via orders to the Bank, implies the transmission of information to third parties or to Swiss or foreign authorities, especially in the following cases:

- justified request for information from stock exchanges, stock market supervisory authorities, brokers or issuers about the owner of the security;
- necessity to provide central securities depositories or sub-depositaries with information about the owner of the security;
- necessity to supply the required information in case of international credit transactions (e.g. letter of credit, issue of guaranties);

- to the extent, if applying for a credit card, the Bank is required to forward to the card issuer data concerning the applicant and the beneficial owner of the assets deposited in the bank account to be debited.

Finally, the Client releases the Bank from the duty of confidentiality, as far as required, so that it can protect its own interests toward the Client or third parties, or as far as this is necessary if activities are outsourced.

Article 31 – FEES AND CHARGES

- 31.1. The Bank shall be remunerated for its services in accordance with the fee schedule it establishes (“Tariff Schedule”). The Bank reserves the right to change its fees at any time in line with changes in market conditions or costs by adjusting the Tariff Schedule. In justified cases such amendments may be made without prior notification to the Client and shall be communicated to the Client in an appropriate manner. The Bank also reserves the right to change its interest rates at any time, in particular when money-market conditions have changed.
- 31.2. Any value added tax or other duties payable shall be charged in addition to the prices stipulated. All applicable taxes, levies and expenses are borne by the Client. Especially the Swiss Value Added Tax (VAT) is not included in the Bank’s fees and will be charged in addition separately where it is due.
- 31.3. The Client shall reimburse the Bank for any other expenses related to the services it provides, including compensation for the services of professional advisers, sub-attorneys or sub-custodians where such services are required in relation to all transactions or to any exceptional action. The Client shall also indemnify the Bank for any damages resulting from such situations, unless there has been gross negligence on the part of the Bank. The Client remains the debtor of these amounts, even if the payment thereof were to be claimed after the closing of the account.

Article 32 – FEES RECEIVED FROM THIRD PARTIES

- 32.1. The Client takes note and accepts that the Bank may receive, directly or indirectly, payments, discounts, or any other attributions from third parties (such as commissions, distribution fees or any other amounts), as well as possible retrocessions for the purchase, custody or sale of the Client’s investments (hereinafter “Third-Party Payments”). The Client accepts that these Third-Party Payments be considered by the Bank to be an additional remuneration, in addition to the remuneration agreed upon with the Client.
- 32.2. The Client understands that, should such Third-Party Payments not accrue to the Bank, the Bank would have to charge higher fees in consideration for its management activities hereunder. Accordingly, the Client irrevocably and unconditionally waives any right or claim he may have to such Third-Party Payments and, to the extent necessary, he hereby explicitly assigns and transfers to the Bank all such rights or claims.
- 32.3. Upon request, the Bank shall provide the Client with all appropriate information regarding Third-Party Payments received, limited to the latest business year and which can be attributed without any doubt and within reasonable efforts to the individual client relationship.
- 32.4. The nature, amount and calculation of the Third-Party Payments will depend on (i) the investments and transactions made and (ii) the agreements entered into with the third parties. The range of the Third-Party Payments may typically vary between 0.2% and 2.5% p.a. of the amount of the Assets deposited on the account. The Bank reserves in this case the right to sell the product to the client at the nominal value.
- 32.5. The Client hereby confirms that the Bank has duly informed him of the fact that the receipt of payments from third parties may raise conflicts of interest between the Bank and the Client. If such a conflict of interest cannot be ruled out, the Bank must inform the Client.

Article 33 – FEES PAID TO THIRD PARTIES

- 33.1. The Bank may have to pay finder’s fees and retrocessions calculated on the deposit value and on the transactions made on the accounts managed by a third party mandated by the Client and/or provide non-financial benefits in favour of this third party. The Client acknowledges that the Bank has neither the right nor an obligation to provide the Client with information regarding such finder’s fees, retrocessions and non-financial benefits.

Article 34 – FIDUCIARY DEPOSITS

- 34.1. The Client may instruct the Bank to make fiduciary deposits, in which case the Client must sign the Power of Attorney for fiduciary deposits.

Article 35 – DORMANT ASSETS / LOSS OF CONTACT

- 35.1. The Client undertakes to inform the Bank immediately of any relevant change in personal circumstances and to take all necessary measures, including the nomination of an Attorney in order to avoid losing contact with the Bank and to prevent the Client’s assets from becoming dormant.
- 35.2. If, in spite of this undertaking, contact with the Client is subsequently lost during a relatively long period of time, the Bank is, at its own discretion and in the interests of the Client or the Client’s heirs, entitled to conduct, subject to the strict respect of banking secrecy, investigations in Switzerland and abroad in accordance with the Guidelines of the Swiss Bankers Association on the treatment of dormant accounts, custody accounts and safe-deposit boxes held in Swiss

banks in order to re-establish contact. The Client's attention is drawn to the fact that under these Guidelines, the Client, his shareholders or his legal assigns may have to bear any and all costs incurred by the Bank.

35.3. If the Bank is unsuccessful in its attempt to restore contact, the Bank shall inform the appropriate authority under the aforementioned Guidelines regarding the Client's account.

Article 36 – INDEMNIFICATION

36.1. The Client shall fully indemnify and reimburse the Bank for any claims, legal proceedings, penalties, damages, losses or any other costs of any kind, including lawyers' fees and legal expenses the Bank might incur at any time in relation to the Client's accounts and assets and the transactions related thereto, as a result of the Client's breaching his legal, contractual and/or regulatory obligations.

Article 37 – TERMINATION OF THE BUSINESS RELATIONSHIP

37.1. The Bank reserves the right, with immediate effect and at its own and exclusive discretion, to cancel its account relationships and, in particular, to cancel all credit lines, loans promised or granted, in which case any outstanding amounts shall be immediately repayable. The same shall apply to credits and loans with a fixed maturity or period of termination, provided that the Bank deems that the continuance of the existing business is no longer justifiable due to the economic situations of the Client. Any agreement to the contrary is reserved.

37.2. As from the moment at which the Bank informs the Client of its decision to terminate the relationship, the Client undertakes not to issue any further orders to initiate any new transactions. The Client shall give only the orders necessary for the closing of the account.

37.3. If the Client fails to give the Bank transfer instructions within a reasonable period of time, the Bank may choose to liquidate the assets and send the proceeds thereof and any remaining balances to the Client's last known correspondence address in the form of a bank cheque. The issuance and delivery of the cheque shall release the Bank from any liability. Depending on the circumstances leading to the end of the business relationship, the Bank reserves the right to refuse the physical surrender of the assets and deliver them to the Client by bank transfer only.

37.4. By way of exception to the provisions of Article 405 of the Swiss Code of Obligations, and unless otherwise agreed in writing, the contractual relationship between the Client or his Attorneys and the Bank shall not be terminated by the death, legal incompetence or bankruptcy of the Client.

Article 38 – PUBLIC HOLIDAYS

38.1. In all relations between the Bank and the Client, Saturday, Sunday and all holidays recognised either at the place of business of the Bank where the Client's assets are deposited or by the banking practice in any financial centre relevant to a specific transaction shall be considered to be public holidays. The same applies for days recognised as public holidays by the Swiss cantonal or federal authorities or by the decisions of the Swiss Bankers Association.

Article 39 – PARTIAL INVALIDITY CLAUSE

39.1. If one or several provisions of the General Terms and Conditions should be considered invalid or unenforceable, this shall in no way affect the validity or enforceability of the other provisions.

Article 40 – SUCCESSOR CLAUSE

40.1. The General Terms and Conditions shall bind the Bank and the Client as well as his heirs and legal successors (especially in case of corporate mergers, divisions and conversions as well as the taking over of property), which according to contract or law assume his position in the legal relationship.

Article 41 – AMENDMENTS OF THE GENERAL TERMS AND CONDITIONS

41.1. The Bank reserves the right to amend these General Terms and Conditions at any time with immediate effect. The Bank shall inform the Client of such amendments in a manner it considers appropriate. Unless the Bank receives notice of objection within thirty (30) days in accordance with these General Terms and Conditions, the new General Terms and Conditions shall be deemed approved. **The Client who has agreed to retention of his correspondence at the Bank ("Hold Mail") is responsible for regular inspection of his correspondence at short intervals. The Bank has to act with the care customary in the course of business and is liable only for possible damages suffered by the Client if it does not carry out its duties.**

SwissBanking (2008)
Special Risks
in Securities Trading

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Introduction

What this brochure is about

1

Since 1 February 1997, commercial trading in securities is governed by the Stock Exchange Act (Swiss Federal Act on Stock Exchanges and Securities Trading of 24 March 1995). The Act requires securities dealers to inform their clients about types of transaction and investments that may involve special risks. This brochure contains information about these risks.

The term “**securities dealer**” is used in this brochure to mean your bank.

Securities and the risks involved

What are securities?

Securities are standardised certificates which are suitable for mass trading, as well as rights not represented by a certificate but with similar features (book-entry securities). They include equities, bonds, units of mutual funds and derivatives. They are offered to the public in a standardised form and denomination, or are sold to more than 20 clients.

2

What are derivatives?

Derivatives are financial instruments for which the price is derived either from assets (underlyings) such as equities, bonds, precious metals and other commodities; or from benchmark rates such as currencies, interest rates and indices; or from credit or catastrophe events.

3

An equity option, for example, derives its value from the “underlying” equity. In the following chapters, we will go on to look at **different types** of derivatives, including forwards, futures and structured products as well as options.

4

What do you particularly need to bear in mind when carrying out securities transactions?

Securities, and especially derivatives, entail **financial risks**. Derivatives are financial instruments based on a separate underlying and are often composed of different elements, which sometimes makes them difficult to understand. This is particularly true for “exotic” options. This brochure explains these financial instruments and their associated risks. However, it is no substitute for the product descriptions provided by issuers and securities dealers. If you have any further questions, consult your securities dealer.

5

Can the risks be unlimited?

There are basically two types of **financial instruments**: those with **limited risk** and those with **unlimited risk**. The purchase of equities or options involves limited risk. At worst, you will lose the entire amount of your invested capital and not make a profit.

6

On the other hand, there are certain types of derivatives that can require an additional outlay of capital over and above the original investment. The obligation to make such **margin payments** can amount to many times the purchase price of the investment.

7

CAUTION

Unlimited risk is particularly associated with:

- selling (writing) an uncovered call option,
- selling (writing) a put option or
- forwards and futures transactions.

Your right to information

What must your securities dealer inform you about?

The Stock Exchange Act obliges securities dealers to inform their clients about the risks associated with a given **type of transaction**.

8

The obligation to inform is dependent of the **client’s level of experience and specialist knowledge in the area concerned**. Clients must be informed about transactions that entail higher levels of risk or have a complex risk profile, but not about the specific risks relating to individual transactions.

9

Limits of the duty to provide information

If you are already familiar **with the risks pertaining to a particular type of transaction**, you may choose not to receive this information from your securities dealer.

10

When can you waive your right to information?	Securities dealers are not obliged to inform you about normal risks . These are not covered in this brochure. Normal risks chiefly include:	11
What information are securities dealers not obliged to supply?	– The risks attached to conventional, widely used financial instruments, such as equities, bonds and collective investments (e.g. units in mutual funds)	
	For example, the debtor (issuer) can get into financial difficulties, making him/her incapable of payment (credit and default risks).	12
	– Country risks	
	A country risk can arise if a country restricts securities trading, for instance by imposing economic sanctions or currency restrictions.	13
	– Settlement risks	
	A settlement risk occurs when you have to pay the purchase price of a security in advance but do not actually receive the security until later. In this event, the risk is that you will pay the purchase price and receive the securities late or even not at all. Conversely, when you are obliged to deliver securities that you have sold, you may not simultaneously receive the purchase price from the buyer. Settlement risks mainly occur in emerging markets (see 209).	14
	– Risks associated with custody of financial instruments	
	Financial instruments can be held either in your country or abroad. Generally, they are held where they are most often traded, and are governed by the regulations that apply there. If your securities dealer becomes insolvent, Swiss law stipulates that the financial instruments deposited with that dealer will not form part of their bankruptcy assets, but will be kept separate for your benefit. However, insolvency proceedings can delay the transfer of the financial instruments to you or another securities dealer. If a third-party custodian becomes insolvent, the law in many countries provides that the financial instruments deposited with that custodian by your securities dealer are also normally protected. In less advanced markets (see 196 ff.), however, financial instruments deposited with a third-party custodian in the country concerned may be included in the custodian's bankruptcy assets.	15
	– Liquidity risk	
	Liquidity risk is the risk that you will not always be able to obtain an appropriate price for your investment when you sell it. When certain securities and derivatives are impossible to sell, or can only be sold with difficulty and at a sharply reduced price, the market is said to be illiquid. Illiquidity risk occurs especially with shares in un5 Special Risks in Securities Trading listed or poorly capitalised companies, investments with sales restrictions, and certain structured products.	16
	The Stock Exchange Act does not require securities dealers to inform you about risks associated with investments in alternative (non-traditional) investments and emerging or developing markets . Given the significance of these types of investment, we nonetheless explain the risks typically encountered in these markets in Section Two of this brochure (see 196 ff. below).	17
	This brochure does not deal with the issues of taxation or any other legal consequences pertaining to securities transactions (e.g. duties of disclosure). We advise you to look into these matters yourself or obtain professional advice.	18
	Please read through this brochure carefully and consult your securities dealer if you have any questions.	19

1 - TRANSACTIONS INVOLVING SPECIAL RISKS

Options

What are your rights and duties in an option transaction?	As the buyer of an option , you have the right to buy a specified amount of an underlying asset (often simply referred to as the “underlying”) from the seller (call option) or sell it to the seller (put option) at a predefined price (strike price) up until a set time (expiration date). The price you pay for this right is called the premium .	20
	As the seller (writer) of an option, you must sell the underlying to the buyer at the strike price (call option) or buy the underlying from him/her at the strike price (put option) up until the expiration date, irrespective of the market value of the underlying asset at the time, if he/she chooses to exercise the option.	21
What is the leverage effect in the context of options?	The price of an option is closely linked to that of the underlying asset. Any change in the market value of the underlying asset will result in a greater change in the price of the option. This is termed the leverage effect . It means you participate disproportionately in any rise or fall in the market value of the underlying asset.	22
Which underlying assets can options be based on?	The commonest underlying assets for options are: <ul style="list-style-type: none">– assets such as equities, bonds, precious metals and other commodities,– benchmark rates such as currencies, interest rates and indices,– derivatives and– any combination of the above.	23
What are “American-style” options?	“ American-style ” options can normally be exercised on any trading day up to the expiration date.	24
What are “European-style” options?	“ European-style ” options can only be exercised on the expiration date, in other words the date set out in the contract. This does not, however, normally affect their tradability on the secondary market (e.g. on a stock exchange).	25
When are options settled physically, and when are they settled in cash?	Where a call option provides for physical settlement , you can require the seller of the option (writer) to deliver the underlying asset when you exercise the option. With a put option, the writer is obliged to buy the underlying asset from you.	26
	If an option provides for cash settlement , you are only entitled to a sum of money corresponding to the difference between the strike price and the current market value of the underlying asset.	27
When is an option – in the money, – out of the money, – at the money?	A call option is in the money if the current market value of the underlying asset is above the strike price. A put option is in the money if the current market value of the underlying asset is below the strike price. An option that is in the money is said to have an intrinsic value .	28
	A call option is out of the money if the current market value of the underlying asset is below the strike price. A put option is out of the money if the current market value of the underlying asset is above the strike price. In this case, the option has no intrinsic value .	29
	If the current market value of the underlying asset is the same as the strike price, the option is at the money . In this case, it has no intrinsic value .	30
What determines the price of an option?	The price of an option depends on its intrinsic value and on what is referred to as the time value . The latter depends on a variety of factors, including the remaining life of the option and the volatility of the underlying. The time value reflects the chance that the option will be in the money. It is higher for options with a long duration and a very volatile underlying and for options that are at the money.	31
What types of options are there?	Warrants are options in securitised form that are traded on an exchange or over the counter (OTC).	32
	Exchange Traded Options are non-securitised, but are traded on an exchange.	33
	OTC (Over-the-Counter) options are neither securitised nor traded on-exchange. They are agreed directly off-exchange between the seller and the buyer. If you wish to cancel (close out) an option of this type before the expiration date, you must make a corresponding offsetting trade with your counterparty. OTC options with precious metals and currencies as their underlying are offered publicly as standardised products. Tailor-made OTC options , by contrast, are specially created for individual investors.	34
	If you sell an option, you have to deposit either an amount of the underlying asset or another	35

What is “margin cover”?	form of collateral for the entire duration of the contract. The level of this collateral or margin is determined by the securities dealer. The exchange stipulates a minimum margin for traded options.	
CAUTION	If the margin cover proves insufficient, the securities dealer can require you to provide additional collateral (via a margin call).	36
What risks do you face as the buyer of an option?	Generally speaking, if the market value of the underlying asset falls, so does the value of your call option . The value of your put option tends to fall if the underlying asset rises in value. Normally, the less your option is in the money, the larger the fall in the option’s value. In such cases, value reduction normally accelerates close to the expiration date.	37
	The value of your call option can drop even when the value of the underlying remains unchanged or rises. This can happen as the time value of your option falls or if supply and demand factors are unfavourable. Put options behave in precisely the opposite manner.	38
CAUTION	You must therefore be prepared for a potential loss in the value of your option, or for it to expire entirely without value. In such a scenario, you risk losing the whole of the premium you paid.	39
What risks do you face as the seller (writer) of a covered call option?	If, as writer of a call option, you already have a corresponding quantity of the underlying at your disposal, the call option is described as covered . If the current market value of the underlying exceeds the strike price, your opportunity to make a profit is lost since you must deliver the underlying to the buyer at the strike price, rather than selling the underlying at the (higher) market value. You must have the underlying assets freely available as long as it is possible to exercise the option, i.e. they may not, for example, be blocked by being pledged for other purposes. Otherwise, you are essentially subject to the same risks as when writing an uncovered call option (see below).	40
What risks do you face as the seller (writer) of an uncovered call option?	If, as writer of a call option, you do not have a corresponding quantity of the underlying at your disposal, the call option is described as uncovered . In the case of options with physical settlement, your potential loss amounts to the price difference between the strike price paid by the buyer and the price you must pay to acquire the underlying assets concerned. Options with cash settlement can incur a loss amounting to the difference between the strike price and the market value of the underlying.	41
CAUTION	Since the market value of the underlying can move well above the strike price, your potential loss cannot be determined and is theoretically unlimited.	42
	As far as American-style options in particular are concerned, you must also be prepared for the fact that the option may be exercised at a highly unfavourable time when the markets are against you . If you are then obliged to make physical settlement, it may be very expensive or even impossible to acquire the corresponding underlying assets.	43
	You must be aware that your potential losses can be far greater than the value of the underlying assets you lodged as collateral (margin cover) either when entering into the contract or thereafter.	44
What risks do you face as the seller (writer) of a put option?	As the writer of a put option, you must be prepared for potentially substantial losses if the market value of the underlying falls below the strike price you have to pay the seller. Your potential loss corresponds to the difference between these two values.	45
	As the writer of an American-style put option with physical settlement, you are obliged to accept the underlying assets at the strike price if the buyer exercises the option, even though it may be difficult or impossible to sell the assets and may well entail substantial losses.	46
CAUTION	Your potential losses can be far greater than the value of any underlying assets you may have lodged as collateral (margin cover). You could in a worst case lose your entire capital invested.	47
What is a covered option?	With a covered option , you purchase an underlying asset (equity, bond or currency) and simultaneously write a call option on that same asset. In return, you are paid a premium, which limits your loss in the event of a fall in the market value of the underlying asset. By the same token, however, your potential return from any increase in the asset’s market value is limited to gains up to the option’s strike price. Traditional covered options require that the underlying asset be lodged as collateral, which makes you the covered writer .	48
	Synthetic covered options are based on the idea of replicating traditional covered options. However, this is achieved by means of only one transaction. Both the purchase of the underlying asset and the writing of the call option are carried out synthetically using derivatives. The purchase price of such a product is identical to that of the underlying, less the premium received for the sale of the call option. Hence, the synthetic product is sold more cheaply than its underlying.	49

What are the risks of a covered option?	Covered options do not contain a hedge against falls in the market value of the underlying . However, by writing a call option (traditional covered option) or by calculating the return from the sale of a call option into the product price (synthetic covered option), any loss in market value of the underlying has less impact than it would in the case of a direct investment. In effect, the option premium thereby limits any loss in the market value of the underlying.	50
	Either cash settlement or physical delivery of the underlying takes place on the expiration date. If the market value of the underlying on expiration is higher than the strike price, the holder of an option with cash settlement is paid a specified cash amount as settlement.	51
	CAUTION If, however, the market value of the underlying is lower than the strike price, the holder of an option with physical settlement receives physical delivery of the underlying asset. In this case, the option holder bears the full risk associated with the underlying.	52
What are option strategies?	If you acquire two or more options, based on the same underlying, which differ in either the option type (call or put), the quantity, the strike price, the expiration date or the type of position (long or short), this is referred to as an option strategy.	53
	CAUTION Given the large number of possible combinations, we cannot go into detail here about the risks involved in any particular case. Before entering into any such transaction, be sure to consult your securities dealer about the particular risks involved.	54
What are exotic options?	Unlike the “plain vanilla” put and call options described above, exotic options are linked to additional conditions and agreements. Exotic options come in the form of tailor-made OTC options or as warrants.	55
	Given the special composition of exotic options, their price movements can vary markedly from those of their “plain vanilla” cousins.	56
	CAUTION You must be aware that larger transactions can trigger price movements even shortly before expiration and that these can render an option worthless. Before buying or selling any exotic options, be sure to seek comprehensive advice about the particular risks involved.	57
	There is no limit to the possible structures for exotic options. We cannot describe in full here the risks involved in any particular case.	58
	The examples of exotic options listed below can be broadly divided into two categories: path-dependent options and options on more than one underlying.	58
What are pathdependent options?	Unlike “plain vanilla” options, for path-dependent options , it is not just when the option expires or is exercised that the market value of the underlying is important. You also need to take into account fluctuations in the market value of the underlying during the life of the option when contemplating such an investment. The following are examples of path-dependent options:	59
	– Barrier options	
	Your exercise rights for knock-in barrier options only arise if the market value of the underlying reaches a fixed threshold (barrier) within a specified period. Exercise rights for knock-out barrier options expire if the market value of the underlying reaches the specified barrier during the given time period.	60
	If this barrier is between the market value of the underlying at the time the option was entered into and its strike price, it is referred to as a kick-in/kick-out barrier option.	61
	Double-Barrier options have both an upper and a lower barrier and may take the form of knock-in and knock-out barrier options.	62
	CAUTION When buying a barrier option , you must be aware that your exercise rights only arise when the market value of the underlying reaches the barrier (knock-in/kick-in option) or that they expire irrevocably when that barrier is reached (knock-out/kickout option).	63
	– Payout options	
	The Payout options accord you the right to payment of a fixed amount agreed in advance.	64
	In the case of a digital (otherwise known as “ binary ”) option , you receive payment if the market value of the underlying reaches a fixed value once during a specified time period (one-touch digital option) or precisely on the day of expiration (all-or-nothing option). For the one-touch digital option, payment occurs either immediately the barrier is reached or on the date of expiration (lock-in option).	65

	With lock-out options , you only receive the fixed payment if the market value of the underlying does not reach the agreed barrier during a specified time period.	66
CAUTION	If you sell a payout option you owe the fixed amount if the barrier is reached, regardless of whether or not the option is in the money when exercised or on the expiration date, or to what extent. This means that the amount you owe can be considerably larger than the option's intrinsic value.	67
	– Asian options	
	For Asian options, an average value is derived from the market value of the underlying over a specified time period. This average is used to determine the underlying's value for an average-rate option and to calculate the strike price for an averagestrike option .	68
CAUTION	The calculation of an average value for the underlying in the case of the average-rate option can result in the value of the option on the expiration date being considerably lower for the buyer and considerably higher for the writer than the difference between the strike price and the current market value on expiry.	69
CAUTION	For an average-strike option, the average strike price of a call option can be considerably higher than the price originally set. For an equivalent put option, the strike price can similarly be lower than the price originally set.	70
	– Lookback options	
	With a lookback option , the market value of the underlying is recorded periodically over a specified time period.	71
	For a strike-lookback option the lowest value (call option) or the highest value (put option) of the underlying becomes the strike price.	72
	The strike price remains unchanged for a price-lookback option , with the highest value (call option)/lowest value (put option) being used in calculating the option value of the underlying.	73
CAUTION	For lookback options, both the calculated strike price and the calculated value of the underlying can vary considerably from the market prices prevailing on the expiration date. If you sell an option of this type, you must be aware that it will always be exercised at the most unfavourable value for you.	74
	– Contingent options	
	When you buy a contingent option you must pay the premium only if the market value of the underlying reaches or exceeds the strike price during the life of the option (American-style option) or on the expiration date (European-style option).	75
CAUTION	You will have to pay the entire premium even if the option is only just at the money or just in the money.	76
	– Cliquet and Ladder options	
	For cliquet options (also known as ratchet options), the strike price is modified for the following period, normally at regular intervals, in line with the market value of the underlying. Any intrinsic value of the option is locked in. All lock-ins arising over the entire life of the option are accumulated.	77
	For ladder options , these modifications take place when the underlying reaches specified market prices, rather than at regular intervals. Normally, only the highest intrinsic value is locked in. In rare cases, all the intrinsic values recorded are added together.	78
CAUTION	If you sell a cliquet option, you are required on the expiration date to pay the buyer all the accumulated lock-ins in addition to any intrinsic value of the option. If you sell a ladder option you must pay the buyer the highest lock-in amount, which can be considerably higher than the option's intrinsic value on the expiration date.	79
What are options on more than one underlying?	Examples of options on more than one underlying are:	
	– Spread and outperformance options	
	Both spread and outperformance options are based on two underlyings. With a spread option , the absolute difference in movement between the two underlyings forms the basis for calculating the option's value. By contrast, the value of an outperformance option is based on the relative difference, i.e. the percentage outperformance of one underlying compared to the other.	80
CAUTION	Even if the underlying performs positively, the difference between the underlyings may be equal or	81

	lower in absolute as well as relative terms, thus having a negative impact on the value of the option.	
	– Compound options	
	The Compound options have an option as their underlying, i.e. they are options on options.	82
CAUTION	Compound options can have an especially large leverage effect. If you sell an option of this type, you can be faced with very substantial obligations.	83
	– Credit default options	
	With a credit default option , a credit risk of the original risk-taker (risk seller) is transferred to a third party (risk buyer), who receives a premium in return. If the defined credit event occurs, the risk buyer is obliged to effect a cash settlement or take on the non-performing loan (or another delivery obligation) by way of physical settlement at a previously determined price. Credit default options are a form of credit derivatives.	84
CAUTION	The risk of chain reactions on the credit market is high and can easily be underestimated. There is also the risk that lack of liquidity will lead to price distortions when volumes are low. This may mean that the investment can only be sold at a low price, longer term or even not at all.	85

Forwards and Futures

What duties do you have with forwards and futures?	With forwards and futures you undertake to deliver or take delivery of a defined quantity of an underlying on a specified expiration date at a price agreed on the contract date. Unlike with options, which (for the buyer at least) only give rise to rights, forwards and futures involve both parties entering into obligations. You do not have to pay a premium when the contract is concluded.	86
CAUTION	Forwards and futures can involve special risks. You should therefore only make investments of this type if you are familiar with this type of instrument, have sufficient liquid assets and are able to absorb any losses that may arise.	87
What is the difference between futures and forwards?	Futures are traded on an exchange. They take the form of contracts in which the quantity of the underlying and the expiration date are standardised.	88
	Forwards are not traded on an exchange; hence they are referred to as OTC (over-the-counter) forwards. Their specifications may also be standardised; otherwise they may be individually agreed between the buyer and seller.	89
What underlying assets can forwards and futures be based on?	The most common underlyings for forwards and futures are: <ul style="list-style-type: none"> – assets (equities, bonds, precious metals and other commodities), – benchmark rates such as currencies, interest rates and indices. 	90
What is a margin?	When you buy or sell (short) an underlying asset on the futures market, you must supply a specified initial margin when entering into the contract. This is usually a percentage of the total value of the contracted instruments. In addition, a variation margin is calculated periodically during the life of the contract. This corresponds to the book profit or loss arising from any change in value in the contract or underlying instrument. The way in which the variation margin is calculated will depend on the rules of the exchange concerned and/or the conditions of the contract.	91
	As the investor, you are obliged to deposit the required initial and variation margin cover with the securities dealer for the entire life of the contract.	92
CAUTION	In the event of a book loss, the variation margin can be several times as large as the initial margin.	93
How is a transaction closed out?	As the investor, you are entitled to close out the contract at any time prior to the expiration date. How this is done depends on the type of contract or stock exchange practice. You either “sell” the contract or agree an offsetting trade with identical terms. Concluding such an offsetting trade means that the obligations to deliver and receive cancel one another out.	94
	If you do not close out the contract prior to the expiration date, you and the counterparty must settle it.	95
How is the transaction settled?	If the underlying in your contract is a physical asset , settlement is achieved by physical delivery or a cash payment. Generally, the asset is physically delivered. Only in exceptional cases do the contract provisions or stock exchange practice call for cash settlement. All other fulfilment specifications, especially the definition of the place of fulfilment, can be found in the relevant contract provisions.	96

	The difference between physical delivery and cash settlement is that with physical delivery, underlyings amounting to the entire contractual value must be delivered, whereas with cash settlement, only the difference between the agreed price and the market value on settlement needs to be paid. This means that you need more funds available for physical delivery than for cash settlement.	97
	If the underlying in your contract is a reference rate or benchmark , fulfilment by physical delivery is not permitted (except for currencies). Instead, settlement is always in cash.	98
What special risks do you need to bear in mind?	For forward sales , you must deliver the underlying at the price originally agreed even if its market value has since risen above the agreed price. In such a case, you risk losing the difference between these two amounts.	99
	CAUTION Theoretically, there is no limit to how far the market value of the underlying can rise. Hence, your potential losses are similarly unlimited and can substantially exceed the margin requirements.	100
	CAUTION For forward purchases , you must take delivery of the underlying at the price originally agreed even if its market value has since fallen below the agreed price. Your potential loss corresponds to the difference between these two values. Your maximum loss therefore corresponds to the originally agreed price. Potential losses can substantially exceed the margin requirements.	101
	In order to limit price fluctuations, an exchange may set price limits for certain contracts. Find out what price limits are in place before effecting forward or futures transactions. This is important since closing out a contract can be much more difficult or even impossible if a price limit of this type is reached.	102
	CAUTION If you sell forward an underlying which you do not hold at the outset of the contract, this is referred to as a short sale . In this case, you risk having to acquire the underlying at an unfavourable market value in order to fulfil your obligation to effect delivery on the contract's expiration date.	103
What special factors apply to OTC forwards?	The market for standardised OTC forwards is transparent and liquid. Hence, contracts can normally be closed out without difficulty. There is no actual market for OTC forwards agreed individually, and hence the positions they entail may only be closed out with the agreement of the counterparty.	104
What special factors apply to combinations?	Since combinations comprise a number of elements, closing out individual elements can considerably alter the risks inherent in the overall position. Before entering into any such transaction, be sure to consult your securities dealer about the particular risks involved.	105
	Given the many possible combinations, we cannot go into detail in this brochure about the risks involved in any particular case. Before making a purchase, be sure to seek comprehensive advice about these risks.	106
Structured Products		
What are structured products?	Structured products are issued either publicly or privately. Their redemption value depends on the performance of one or more underlyings . They may have a fixed or unlimited term and consist of one or more components.	107
What are the common types of structured products?	Here is a list of the common product categories , based on the categorisation model used by the Swiss Structured Products Association (SSPA): <ul style="list-style-type: none"> – capital protection products (see 116 ff. below) – yield enhancement products (see 126 ff. below) – participation products (see 130 ff. below) – leverage products (see 135 ff. below) 	108
Can products of this type be traded on an exchange?	Structured products may be listed for trading on an exchange , but do not have to be.	109
Can you sell a structured product?	The tradability of a structured product depends on whether the issuer or a market maker is prepared to make a price. Even if they are, liquidity risks can still arise. If the market is not liquid, you run the risk of having to either hold the financial instrument until the end of its term or sell it during the term at an unfavourable price. It can also be difficult or impossible to determine a fair price or even compare prices at all, as there is often only one market maker.	110
What is the issuer risk?	You bear the risk that the debtor of a structured product may become insolvent (issuer risk). The instrument's value is therefore dependent not only on the performance of the underlying asset but	111

	also on the creditworthiness of the issuer, which may change over the term of the structured product.	
What special risks do you need to bear in mind?	Every structured product has its own risk profile , and the risks of its individual components may be reduced, eliminated or increased. In particular, it may profit to different degrees from rising, constant or falling market values of the underlying, depending on the product involved.	112
	CAUTION It is extremely important to find out exactly what the risks are before acquiring a product of this kind. This information can be found in, for example, the issue documents or the product description concerned.	113
Are structured products covered by the Collective Investment Act?	Structured products are not categorised as collective investments under the Collective Investment Schemes Act (Federal Act on Collective Investment Schemes of 23 June 2006). Unlike with collective investments, the issuer is liable with his or her own assets (as is any guarantor, to the extent of a guarantee they have provided), and there is no backing from specially protected assets. You therefore need to bear in mind that in addition to a potential loss resulting from a decline in the market value of the underlyings (market risk), you may in the worst case lose your entire investment because the issuer or guarantor becomes insolvent (issuer or guarantor risk).	114
Do you have an entitlement to voting rights and dividends?	You do not normally have any entitlement to voting rights or dividends if you buy a structured product.	115
	Capital Protection Products	
What types of capital protection are there?	Some structured products offer capital protection. The level of this protection is fixed by the issuer when the product is issued and indicates the percentage of the nominal value that will be repaid to the investor on expiration. However, capital protection generally only applies at the end of the term and may, depending on the product conditions, be (far) lower than 100% of the invested capital.	116
	CAUTION Some structured products offer only conditional capital protection, which can be lost if the value touches, falls below or rises above a predefined threshold (barrier, knockout level). Repayment is then dependent on the performance of one or more underlyings.	117
What are structured products with capital protection?	Structured products with capital protection consist of two elements, such as a fixed-income investment (especially a bond or a money market investment) and an option. This combination enables the holder to participate in the performance of one or more underlyings (via the option or participation component) while at the same time limiting potential losses (via the fixed-income investment or capital protection component). The capital protection component may only cover a portion of the capital invested.	118
What is the purpose of the capital protection component?	The capital protection component determines the minimum repayment you receive on expiration, regardless of how the participation component performs.	119
What does the capital protection relate to?	The capital protection is linked to the nominal value rather than the issue price or purchase price. Hence, if the issue/purchase price you pay exceeds the nominal value, only the nominal value is capital-protected . The protection of your capital outlay drops accordingly. If, however, the issue/purchase price is less than the nominal value, the protection of your capital outlay rises accordingly.	120
Is the invested capital fully protected?	The capital protection component can be well under 100% of the capital invested, depending on the product. Capital protection does not therefore mean 100% repayment of nominal value or the purchase price for all products. Structured products with capital protection generally offer lower returns than direct investments in the underlying, as the capital protection costs money.	121
	CAUTION If you wish to sell a structured product with capital protection before it expires, you may receive less than the capital protection component as the capital protection only applies if you keep the product until the redemption date.	122
Does the capital protection still apply if you sell the product during its term?	The participation component determines how you benefit from price movements in the underlying(s) when you buy a structured product. In other words, it fixes the level of your potential return over and above the capital protection component. Some structured products with capital protection offer only a limited potential participation (those with a cap); some (those without a cap) offer unlimited potential participation. Others require the market value of the underlying to touch, rise above or fall below a specific barrier before you can make a profit.	123
What is the purpose of the participation component?		
How high is the risk on the participation component?	The risk on the participation component is the same as that on the corresponding option or combination of options . Depending on the movements in the market value of the underlyings, the participation component may therefore be zero.	124

CAUTION Your maximum loss on a structured product with capital protection is limited to the difference between the purchase price and the capital protection, provided you continue to hold the product until expiration. You may also miss out on a profit due to the fact that full or partial repayment of the capital is guaranteed but no income (interest) is paid. Please be aware that there is also issuer risk (see 111). 125

What is the maximum possible loss?

Yield Enhancement Products

What are structured products with yield enhancement? **Structured products with yield enhancement** consist of two elements, such as a fixed-income investment and an option (mainly on equities or currencies), and possibly a currency swap. This combination enables you to participate in the performance of one or more underlyings (via the option component). However, these financial instruments offer **no or only conditional capital protection**. The interest that is paid means you receive a higher return than with a direct investment if the price of the underlying remains essentially unchanged. On the other hand, you will not benefit from the full potential return of the underlying. 126

If the market value of the underlying rises, you will receive the stipulated interest and the nominal value on expiration (equally, the product may provide for a discount on the issue price). If the market value of the underlying rises sharply, you could possibly have earned a higher return on a direct investment. However, if the market value of the underlying falls sharply, you will receive both the interest payment and the underlying on expiration (unless the product offered a discount on the issue price). 127

What special risks do you need to bear in mind? Many products with yield enhancement refer to several underlyings. You as investor receive the security with the worst performance on expiration (either physically or in the form of cash) if the underlying touches, rises above or falls below a predefined barrier during the term of the financial instrument. If the performance of the underlying is negative, the financial instrument can trade some way below the issue price during its term even if the barrier is not touched, exceeded or undershot. The level of interest rate is directly related to the level of the barrier. The nearer the barrier is to the market price of the underlying on the day of issue, the higher the interest you receive will generally be, but the higher the risk that the barrier will be reached, and vice versa. 128

CAUTION When you invest in a structured product with yield enhancement, you could in the worst case scenario lose the entire capital that you have invested. 129

What is the maximum possible loss?

Participation Products

What are structured products with participation? **Structured products with participation** enable you to participate in the performance of one or more underlyings. However, they offer **no or only conditional capital protection**. If the participation product offers conditional capital protection, the risk is smaller than with a direct investment provided the market value of the underlying does not reach a specific barrier (termed the “knock-out”). 130

CAUTION If the market value of the underlying touches, rises above or falls below the barrier, you will lose the capital protection. 131

What special risks do you need to bear in mind? The **risk of a structured product with participation** is generally the same as that of the underlying. Unlike with a direct investment, however, you do not receive voting rights and you are not entitled to a dividend. You do, though, bear the credit risk of the product’s issuer. 132

Many products with participation refer to several underlyings. You as investor receive the security with the worst (or sometimes best) performance on expiration (either physically or in the form of cash) if the market value of the underlying touches, rises above or falls below a predefined barrier during the term of the financial instrument. The financial instrument can trade some way below the issue price during its term even if the barrier is not touched, exceeded or undershot. Moreover, the level of participation is directly related to the level of the barrier. If you have a higher risk tolerance when selecting the barrier, you will enjoy a higher participation. 133

CAUTION When you invest in a structured product with participation, you could in the worst case scenario lose the entire capital that you have invested. 134

What is the maximum possible loss?

Leverage Products

Structured products with leverage enable you to achieve a leverage effect by investing less capital 135

What are structured products with leverage?	than you would have to if you invested directly in the underlying. This means you can benefit from short-term trends.	
	Structured products with leverage are suitable for short-term speculation but also for strategically hedging a portfolio.	136
What special risks do you need to bear in mind?	Because of the leverage effect, you need to carefully and regularly monitor the underlying, since structured products with leverage can experience a larger rise in profits but also a bigger loss than the underlying.	137
	CAUTION When you invest in a structured product with leverage, you could in the worst case lose the entire capital that you have invested.	138
What is the maximum possible loss?		

Products Used for Financing or Risk Transfer

What exactly are these products?	The financial instruments discussed in this section have the same or similar profit and loss structures as certain conventional financial instruments (equities or bonds).	139
	Such financial instruments may be listed for trading on an exchange, but do not have to be.	140
	The risks associated with these products are not necessarily the same as those of the financial instruments they contain. It is therefore extremely important to find out exactly what the risks are before acquiring a product of this kind. This information can be found in, for example, the product description concerned .	141
What are credit and catastrophe derivatives?	There are some products that are mainly used to transfer risks. These include credit and catastrophe derivatives . They are financial instruments where the “underlying” is an event such as a credit event (default of a loan or bond) or a natural disaster. Derivatives of this type can be used by the bearer of a risk to transfer it to others. Credit derivatives come in the form of swaps, options or hybrid financial instruments.	142
	CAUTION Credit and catastrophe derivatives involve a liquidity risk . Often such instruments cannot be sold before the end of their term, because there is no market for them.	143
	Credit bonds securitise the risks and transfer them to third parties as credit-linked notes, collateralised debt obligations and asset-backed securities . As a result, the buyer takes on the risk associated with a loan portfolio.	144

Credit-linked notes (CLN)

	CLN are bonds whose redemption and interest payments depend on the performance of a specific underlying or benchmark portfolio (e.g. loan, bond).	145
	CAUTION Look closely at the creditworthiness of the debtor to which the CLN is linked, as the CLN can end up being valueless if a credit event occurs. There is an issuer risk, i.e. a credit risk of the issuing bank, just as with structured products. The secondary market for CLN is highly illiquid, and you should therefore assume that you will not be able to sell one before the end of its term.	146

Collateralised debt obligations (CDO)

	CDO are bonds backed by a diversified debt portfolio (mostly loans, bonds or credit default swaps). They give you access to investments that are unattractive or even unattainable for individual investors. Since CDO are often divided up into a number of tranches with differing credit risks, you can decide what credit risk you wish to take on. If a debtor in the debt portfolio experiences a credit event, the equity-like tranches are affected first: they may be only partially redeemed, or not redeemed at all. If a number of debtors default, this affects the remaining tranches in order of creditworthiness, until finally the tranche with the highest credit rating (comparable to that of first-class bonds) may only be partially redeemed, or not redeemed at all. The value of a CDO is based primarily on the probability of a credit event affecting the individual companies in the portfolio. This probability of default is determined using statistical methods and on the basis of historical data, and can cease to be meaningful in extreme market conditions.	147
	Before you invest in a CDO, you should also look at the track record of the manager in charge of it: he or she will receive a performance-related bonus and will often have a holding in the CDO him/herself. If the portfolio is not run by a manager (which is termed a “static” portfolio), its composition remains unchanged throughout its term. In this case you should pay special attention to the composition of the portfolio.	148

CAUTION CDO typically have a term of several years. As there is generally no secondary market, you should assume that you will not be able to sell the CDO before the end of its term. 149

Asset-backed securities (ABS)

In ABSs, risks (such as a range of receivables) are grouped together and transferred to a special purpose vehicle (SPV). The SPV finances this transaction by issuing securities backed by a pool of assets or a portfolio. If the collateral is a mortgage, this kind of instrument is called a **mortgage-backed security (MBS)**. The individual components of the portfolio would be unattractive or even unobtainable in this form for individual investors. However, the composition of the portfolio makes it possible to combine together and sell a range of assets and risks. By grouping together different types of credit risk, different risk profiles can be created. 150

Even if a pool or portfolio is created, lack of diversification can lead to a concentration of risk. 151

CAUTION Credit bonds are often issued by particular types of offshore companies (SPV). In this event you should pay special attention to the issuer risk and the quality of government supervision of such SPVs. 152

What are alternative or non-traditional investments?

2 - ADDITIONAL INFORMATION

Alternative (Non-Traditional) Investments

What do you need to bear in mind when making direct investments? **Alternative or non-traditional investments** are investments that do not fall within the traditional asset classes, such as equities, bonds or money market products. They include a **wide range of instruments and strategies**. This section focuses on the classes that are most important in terms of risk information: 153

- hedge funds (see 159 ff. below)
- private equity (see 174 ff. below)
- real estate (see 182 ff. below)
- precious metals and other commodities (see 189 ff. below)

This list is not exhaustive and this brochure cannot point out all the risks and issues that need to be taken into account in connection with **alternative or non-traditional investments**. 154

CAUTION Be sure to obtain comprehensive advice before investing in **alternative or non-traditional investments**, and examine the offering carefully.

What about indirect investments?
What are offshore funds? Instruments allowing for **direct investment** can make sense in terms of diversifying a portfolio (risk distribution) because their returns are less dependent on factors such as the performance of the markets and levels of interest rates than those of conventional investments. However, the minimum outlay required for direct investments is generally very high, and they are often not accessible to all investors. 155

To overcome these obstacles and avoid the risks of the large direct investments required, the financial sector has developed instruments for **indirect investment**. They include certificates, notes, investment funds, funds of funds, commodity futures and forward contracts. All these structures are based on one or more of the asset classes mentioned below. If you are interested in indirect investments, you need to bear in mind not just the risks of alternative investments as an asset class, but also the risks of the instrument concerned – the risks associated with structured products, for example. Please note that this section does not deal with the risks of structured products, forward contracts and futures, as these were discussed in the preceding sections (see “Forwards and Futures” and “Structured Products”). 156

Offshore investments are often structured as funds or partnerships (such as limited partnerships) and domiciled in countries where legislation and supervision can be weak – hence the name “offshore funds”. The Swiss financial supervisory authority does not permit the public distribution of such funds in Switzerland. 157

The legislation and supervision applying to offshore funds are much less strict than for traditional investments, which means that **investors may enjoy less protection**. They may find it difficult to enforce their rights, and problems and delays may occur when settling buy and sell orders for units of such funds. 158

Hedge Funds

What are hedge funds?	Hedge funds are the best-known form of alternative or non-traditional investments. Despite what their name suggests, hedge funds do not necessarily have anything to do with hedging. Indeed, they take on sometimes very high levels of risk in order to obtain an above-average return. Hedge funds include all forms of investment funds, investment companies and partnerships that use derivatives not just for hedging but also for investment, that are able to engage in short selling or take on significant leverage by borrowing. Other features typical of hedge funds include their freedom to choose their asset classes, markets (including emerging markets) and trading methods. Hedge funds normally require high minimum investments. They frequently offer only limited opportunities for subscription and redemption, with long notice periods. The portfolio managers of hedge funds receive performance-related bonuses and often hold a personal stake in the funds.	159
	CAUTION Pay special attention to the following:	
What should you particularly bear in mind about hedge funds?	<ul style="list-style-type: none"> – A hedge fund may be less transparent than a traditional investment fund, for example, as investors are not always informed about planned strategies and changes to them, or changes of portfolio manager. Hedge funds are also not subject to any disclosure requirements. – Unlike traditional collective investments, hedge funds have limited liquidity (units may generally only be redeemed once a month, quarterly or annually). Normally, investors can only invest in a hedge fund at specific times. There are generally long notice periods for redemptions and long lock-up periods (periods during which investors are obliged to leave their capital in the fund). – Delays may occur, and unfavourable prices may result, when settling buy and sell orders for hedge fund units. There is no guarantee that investors will be able to enforce their rights. 	160 161 162
What are funds of hedge funds or multi-manager hedge funds?	Investors invest in funds of hedge funds or multi-manager hedge funds in order to reduce risk. These funds invest their capital in a number of hedge funds and spread it across a range of hedge fund managers that cover different investment styles, markets and instruments. There are also structured products that you can use to invest in hedge funds or hedge fund indices.	163
What strategies do hedge funds pursue?	The main hedge fund strategies seen on the market are as follows:	164
	<ul style="list-style-type: none"> – Equity hedge (“long”, “short”) Equity hedge funds identify undervalued (buy or long position) and overvalued (short selling or short position) equities in specific regions or market segments and attempt to make profits in the belief that sooner or later these positions can be closed out at a profit. – Arbitrage strategies Arbitrage strategies identify price differences between identical or similar investments in different markets and try to exploit them. Such strategies include equity-market neutral, fixed-income arbitrage, convertible-bond arbitrage and mortgage-backed securities arbitrage. – Event-driven Managers that pursue this kind of strategy try to make a profit from events such as upcoming changes in a company (mergers, takeovers, restructurings, turnarounds, etc.). Examples of such strategies are merger arbitrage, distressed securities and special situations. – Global macro Hedge funds that pursue global macro strategies attempt to identify macro-economic developments such as changes in interest or exchange rates at an early stage and exploit them for profit. This category includes growth funds and emerging market funds. – Managed futures This type of hedge fund deals in futures (standardised, exchange-listed contracts) on financial instruments, currencies and commodities. 	165 166 167
What risks do you take on when you invest in a hedge fund?	Generally speaking, hedge fund managers do not need to be licensed by an authority and are largely unregulated . In particular, hedge funds are not subject to the numerous investor protection regulations that apply to authorised collective investments. These include rules on liquidity, redemption of fund units at any time, avoiding conflicts of interest, fair prices for fund units, disclosure and limitations on borrowing.	170
	Since these rules do not apply to hedge funds, they can use much more leverage than traditional authorised funds, and engage in complex investment transactions that are not permitted for traditional	171

collective investments. A hedge fund is allowed to adopt **aggressive strategies** including the widespread use of short selling, leverage, swaps, arbitrage, derivatives and programme trading. Their investment strategies are often highly complex and very intransparent. You will often receive little or no information about changes of strategy that may lead to a significant increase in risk, or receive such information only at a late stage.

As part of their investment strategy, hedge funds can also use derivatives such as futures, options and swaps that may be listed for trading on an exchange but do not have to be. These instruments may be subject to significant price volatility, resulting in a **high risk of loss** for the fund. The low margins typically required to build up a position in such instruments mean that high levels of borrowing can be used. Depending on the instrument, a relatively small change in the price of the contract can therefore lead to a large profit or loss in comparison with the capital lodged as collateral and hence to further, unforeseeable losses that can exceed any margin cover. 172

CAUTION **Investment vehicles that are not listed on an exchange** also involve further risks as there is neither an exchange nor a secondary market where units can be sold or open positions closed out. It may be impossible to unwind an existing position or determine the value or risk of a position. If a hedge fund sells uncovered options on securities, it may be exposing itself to an unlimited risk of loss. 173

Private Equity

What is private equity? **Private equity** is a form of risk capital financing for companies that either are **not exchange-listed** or – occasionally – wish to delist. Investments are usually made at an early stage in a company's development, when its chances of success are uncertain and the risks are therefore high. 174

Where private equity flows into young companies (start-ups) or small companies with growth potential that are at an early stage in their development, the term **venture capital** is also used. Private equity now also extends to risk capital made available to a company immediately before it goes public (**late-stage financing, mezzanine financing**). Normally the financing is constructed in such a way that the proceeds of the initial public offering are used to wholly or partially redeem the holdings of the shareholder entrepreneurs. If a change of ownership is financed, for example a delisting, the term “**buyout**” is customarily used. 175

What are the risks of private equity investments? The success of a private equity investment depends on the correct timing of the “exit” or sale and – especially with indirect investments via a fund, for example – on the quality of the private equity manager. The exit can be effected by going public (initial public offering or IPO), a sale to another company (trade sale) or to another private equity fund (secondary sale), or a management buyout. The choice of solution will depend largely on the market conditions prevailing at the time. How easy or difficult the exit phase is, and whether the proceeds meet expectations, will depend on factors such as the performance of the equity markets. 176

Private equity investments are not **regulated compared to equities listed for trading on an exchange**. This means that investors may be exposed to more risks, for example due to lack of transparency (e.g. limited access to financial statements, lack of publication). 177

Private equity investments involve considerable risks and can lead to substantial losses. They are based on a long-term approach and are much less liquid than exchange-listed equities. Normally, private equity investments cannot be sold until some years after the original investment. You should be aware that your capital will be tied up, either completely or with access subject to restrictions, for a long time. No distributions are made prior to exit from investments. You do not normally have any entitlement to exit early. Companies that are potential candidates for private equity investments may have high levels of borrowing and therefore be more sensitive than established companies to negative market developments such as rising interest rates. There is also a greater danger of the company becoming insolvent and going bankrupt than with listed companies. 178

CAUTION It is not unusual for further calls for capital to be made at short notice after the initial investment. If you fail to comply with such a demand, you may lose all the capital you have invested up to that time. 179

CAUTION A change of management in a young company where the personality of the individuals occupying key functions is a particularly important factor can have a highly detrimental effect on a private equity investment. 180

What do you need to bear in mind when making indirect investments 181

With **indirect investments**, there is no guarantee that the manager of a private equity fund will be able to make investments and generate profits that fulfil the expectations for this form of investment. The abilities of the private equity manager are therefore crucial to the success of an indirect investment.

Real Estate

How can you invest in real estate? 182

Investments in real estate can be made directly or indirectly. Real estate comprises **office buildings, retail and industrial premises, residential property and special real estate** (such as hotels or hospitals). The variables that determine the value of a property are its location, construction, equipment fittings and the variety of ways in which it can be used.

What do you need to bear in mind when making direct investments? 183

A **direct investment** involves actually buying property. This will usually require a high capital outlay, a long term investment horizon, in-depth knowledge of the sector, familiarity with the location and often personal involvement, as property needs to be professionally managed.

What about indirect investments? 184

Indirect investments in real estate generally require a lower capital outlay than direct investments. Indirect investments are divided into those that are exchange-listed and those that are not. Examples of unlisted indirect investments include real estate funds, shares of real estate companies that are not listed for trading on an exchange, and certificates on real estate funds. Real estate funds can reduce risk by diversifying across geographical areas and real estate categories. The main category of exchange-listed indirect investments is real estate investment trusts (REITs). These enable investors to invest in real estate without incurring certain disadvantages, such as illiquidity.

What risks do you need to be aware of? 185

Real estate investments are based on physical assets – land and buildings – that are ultimately **unique, and in which trading is not regulated**.

Where real estate is concerned, it is therefore often **difficult, or even impossible, to spread risks adequately or diversify investments sufficiently**. With direct real estate investments especially, the high capital outlay required and the illiquidity of the property market makes diversification difficult or even impossible. 186

Property markets are also frequently **intransparent**, and require precise knowledge of local circumstances. It is therefore vital to involve local experts, which hampers access to the market. 187

Real estate often reacts to **interest rate changes** in a similar way to bonds: when interest rates are low, for instance, mortgages are cheap and it is easy to generate above-average profits. Conversely, high interest rates cause profits to contract. Fiscal incentives offered by the state to promote home ownership and attractive lending conditions can also lead to excessively high prices. 188

Precious metals and other commodities

What are commodities? 189

Commodities are **physical goods that are produced via agriculture and mining, for example, and standardised for use as the underlying of a transaction**. Derivatives on commodities such as energy sources, precious and other metals, and agricultural products are traded on futures markets.

Contractual agreements allow investors to buy or sell **futures** linked to the performance of a particular commodity. This means that they can buy a standardised amount of a commodity at a specific time in the future for a specific price. 190

The commonest way in which private individuals invest indirectly in commodities is via structured products (see 107 ff. above). There are other alternatives, such as **commodity swaps and options** that are not listed for trading on an exchange. These are traded directly between the parties concerned and are tailor-made products. More information on how forwards and futures work can be found in a separate section of this brochure (see 86 ff. above). 191

CAUTION With commodity futures, you may receive physical delivery of the commodity concerned on expiration, while structured products normally provide for cash payment. If you prefer cash settlement, you will have to sell the futures before their expiration date. Such products are therefore more risky than, for instance, equities or collective investments. 192

What are the risks of commodity investments? 193

The price of commodities is influenced by a number of factors. These include:

- the relationship between supply and demand
- climate and natural disasters

- state programmes and regulations, national and international events
- state intervention, embargoes and tariffs
- movements in interest and exchange rates
- trading in commodities and the corresponding contracts
- provisions relating to monetary policy, trading, fiscal and currency controls.

These variables can lead to additional investment risks.

Commodities investments are more **volatile than conventional investments**, and yields on commodities can collapse at short notice. The volatility of commodity prices also affects the value, and hence the price, of a futures contract based on those commodities. 194

Conventional futures on oil, base and precious metals are normally easy to trade, regardless of their term.

CAUTION When market activity is limited, a contract can become illiquid. Depending on how the yield curve moves, such illiquidity can lead to significant price changes. This is a typical feature of commodities. 195

Investments in Emerging Markets

What are emerging markets? There is no standard definition of the term “emerging markets”. In the broadest sense it includes **all economies that are not regarded as “advanced”** (see 197 below). Common criteria for defining what is an emerging market are per capita income, the level of development of the financial sector, and the proportion of the total economy that is made up by the service sector. 196

The creditworthiness of countries that fall within this definition can vary widely: from very high to very low, with – in the latter case – very high default risk. Although they can be at very different stages in their economic development, most emerging markets have a political system that is very new (for instance they have only recently become democracies) or is currently changing. This means that the political system and its institutions may be less stable than in an advanced nation.

Which countries are deemed to be “advanced economies”? The list of emerging markets is changing constantly. According to the criteria applied by the International Monetary Fund in October 2007, they include all countries except: Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the UK and the US. These nations are **classed as having advanced economies**. 197

Which factors should you be especially aware of when making investments in emerging markets? There are risks linked to investments in emerging markets that are not encountered in their advanced counterparts. This is also the case when the issuer or provider of a product has its headquarters or primary focus of activity in an emerging nation. 198

CAUTION Investing in products linked to emerging markets is therefore often speculative. Before investing in emerging markets, you should form an impression of them that allows you to assess the risks involved. 199

What are the individual risks involved? When investing in emerging markets, the following risks should be taken into account. The list is not exhaustive. Depending on the type of investment product, there may be additional risks involved as described elsewhere in this brochure. 200

Political risk

A government’s political inexperience or the instability of the political system increases the risk of short-term, fundamental shifts in a nation’s economy and politics. The consequences for you as an investor can include the confiscation of your assets with no compensation, the restriction of your rights of disposal over your assets, or government-imposed controls. State intervention in specific sectors of industry can result in a dramatic fall in the value of investments in those sectors. 201

Economic risk

Emerging market economies are more sensitive to changes in interest and inflation rates, which are in any case subject to greater swings than in the developed nations. The focus of such economies is often relatively narrow, allowing single events to have a magnified impact. In addition, emerging nations generally have a lower capital base. Finally, their financial markets often lack an adequate structure and sufficient supervision. 202

Credit risk

Investments in debt securities (e.g. bonds, notes) issued by emerging market governments or companies tend to entail higher levels of risk than advanced market debt. This can be due to inferior creditworthiness, a high level of government debt, debt restructuring, a lack of market transparency or a lack of information. It is also much more difficult to assess credit risk due to inconsistent valuation standards and the absence of ratings. 203

Currency risk

The currencies of emerging market nations are subject to unpredictable fluctuations in value that are larger than those of advanced countries. Some countries limit the export of their currency or can impose short-term restrictions, or stop pegging their currency to a reference currency such as the dollar. Hedging can help limit losses resulting from currency swings, but they can never be entirely eliminated. 204

Inflation risk

Large fluctuations in the value of the currency and an insufficiently developed financial market can make it difficult for an emerging market nation's central bank to stick to its inflation targets. As a result, inflation may fluctuate more than in advanced countries. 205

Market risk

Because there is little or no supervision of financial markets in emerging market nations, regulation, market transparency, liquidity and efficiency are often inadequate. Moreover, high volatility and large price differences are characteristic of these markets. Finally, the inadequacy or absence of regulatory measures gives rise to an increased danger of market manipulation or insider trading. 206

Market liquidity risk

Liquidity is dependent on supply and demand. The impact on the emerging markets of social, economic and political changes or natural disasters can involve a much more rapid and lasting change to this supply and demand equation than would be the case in the advanced markets. In an extreme case, illiquidity can be the result. This can make it impossible for an investor to sell his/her investments. 207

Legal risk

The absence or inadequacy of financial market supervision can lead to your legal rights being difficult or impossible to enforce. Moreover, legal uncertainty may exist due to the inexperience of the emerging nation's judiciary. 208

Settlement risk

Certain emerging markets have an array of different clearing and settlement systems. These are often outmoded and prone to processing errors as well as considerable delays in settlement and delivery. Some countries do not have any such systems at all (see 14 above). 209

Shareholder risk and creditor risk

Legislation to protect the rights of shareholders and creditors (e.g. duties of disclosure, insider trading ban, management responsibilities, minority shareholder protection) may often be inadequate or non-existent. 210

Appendix: Definitions

Advanced market	197ff.
All-or-nothing option	65
American-style option	24, 43, 46, 75
Asian option	68
Asset-Backed Securities (ABS)	144, 150 ff.
At the money	28ff.
Average-rate, average-strike option	See Asian option
Barrier Option	60ff.
Binary option	See Payout option
Call Option	7, 20 f., 26 ff., 37 ff., 48 ff., 72 f.
Capital protection	108, 116 ff.
Cash Settlement	27, 97 ff., 192
Certificate	156, 184
Clearing and Settlement	Exchange of securities for payment between securities traders, in Switzerland through SIS SegalInterSettle AG
Cliquet option	77 ff., 79
Closing out	34, 94
Code of conduct for securities dealers	Professional rules of conduct issued by the Swiss Bankers Association for securities dealers (see Securities dealer) in Switzerland, describing their statutory (see Stock Exchange Act) duties of information, due diligence and good faith towards their clients
Collateralized debt obligations (CDO)	144, 147 ff.
Collective Investment Schemes Act	(Swiss) Federal Act on Collective Investment Schemes of 23 June 2006, which entered into force on 1 January 2007 (Classified Compilation of Federal Law 951.31)
Combination	105
Compound option	82f.
Contingent option	75
Covered option	48ff.
Credit and catastrophe derivatives	142
Credit default swap (CDS)	Credit derivative whereby one counterparty undertakes to compensate the other counterparty for future credit losses (i.e. take on credit risks) in return for a premium 147
Credit-linked notes (CLN)	144, 145 f.
Credit risk	84, 147, 203
Creditor risk	210
Currency risk	204
Derivative	Financial contract for which the price is derived either from assets such as equities, bonds, commodities or precious metals, or from benchmarks such as currencies, interest rates and indices 3 ff., 16, 23, 49
Digital option	See Payout option
Double-barrier option	See Barrier option
Economic risk	202
Emerging market	17, 159, 168, 196 ff.
European-style option	25, 75
Exotic option	55, 58 f.
Expiration date	20f.

Financial instrument	Generic term for all securities, book-entry securities and derivatives, including those that are not standardised and suitable for mass trading (on standardised securities suitable for mass trading, see Security)
Force majeure	Events neither party in a transaction can influence or be held liable for, such as natural or man-made disasters, armed conflicts, terrorist attacks, uprisings, employment disputes (strikes and lockouts), embargoes, etc.
Hedge fund	159ff.
Hedge fund strategies	164ff.
In the money	28, 37, 67, 76
Indirect investments	156
IPO (Initial public offering)	The first sale of previously unlisted shares by a company to the public, commonly known as “going public” (as distinct from issuance) 176
Issuance	Creation and placement of securities in the primary market (as distinct from “Initial public offering [IPO]”) 113, 116, 120 f.
Issuer	5, 12, 107, 110 ff., 114, 132, 146, 152, 198
Issuer risk	111, 146, 152
Kick-in, kick-out barrier option	See Barrier option
Knock-in, knock-out barrier option	See Barrier option
Ladder option	77ff.
Legal risk	208
Leverage effect	Enhanced exposure to losses and gains due to price changes 22, 135, 159
Lock-in, lock-out option	See Payout option
Lock-up period	161
Lookback option	71ff.
Margin, margin cover, variation margin, margin requirement	35ff., 44, 47, 91 ff., 100 f.
Market liquidity risk	207
Market maker	A securities dealer (see Securities dealer) who undertakes, either permanently or on request, to maintain firm bid and offer prices for one or more financial instruments (see Financial instrument)
Market risk	114, 206
Mortgage-backed securities (MBS)	150
Nominal Value	Face value or par value
Non-traditional investments, non-traditional funds	153ff.
Off-exchange trading	See OTC trading
Offshore investments	Investments (often in form of funds or limited liability partnerships) domiciled in countries where they are subject to a comparably weaker legislation and supervision 157f.
One-Touch digital option	65
On-exchange trading	Trading, especially with securities and rights not embodied in a certificate but with similar functions (book-entry securities; see Securities) on an organised, regulated market (the “secondary market”), as opposed to issuance (which takes place on the “primary market”; see Issuance)
Option	4ff., 20 ff.
OTC	Trading with securities which are not traded on a stock exchange, are agreed on an individual basis and not standardised
OTC (over-the-counter) forward	89, 104

OTC option	34, 55
Out of the money	29
Outperformance option	80
Participation component	118f., 123 f.
Path-dependent option	58ff.
Payout option	64ff.
Physical settlement, physical delivery	26, 41, 46, 51, 84
Plain vanilla option	55 f., 59
Political risk	201
Price-lookback, strike-lookback option	See Lookback option
Private equity	174ff.
Put option	7, 20 f., 26, 28 f., 37 f., 45 f., 55, 72 f.
Ratchet option	See Cliquet option
Real estate investment trust (REIT)	184
Securities dealer	Natural person or legal entity that offers new securities (see Security) publicly on the primary market on a professional basis, and/or trades securities on the secondary market or creates derivatives (see Derivative) which it offers publicly. 1, 5, 8, 10 f., 15, 17, 19, 35 f., 54, 92, 105
Security	Standardised certificate which is suitable for mass trading, as well as rights not embodied in a certificate but with similar functions (book-entry securities). They include equities, bonds, units of investment funds and derivatives (see also Derivative), and must be offered to the public in a standardised form and denomination, or sold to more than 20 buyers 1, 2, 5, 13
Settlement risk	14, 209
Shareholder risk	12, 210
Short put option	Sale of a put option whereby the seller (writer) undertakes to buy the underlying at the strike price on the strike date
Short selling	91, 103, 165
Spread option	80
Stock Exchange Act	(Swiss) Federal Act on Stock Exchanges and Securities Trading of 24 March 1995, which entered into force on 1 February 1997, with subsequent amendments (Classified Compilation of Federal Law 954.1) 1, 8, 17
Strike price	20 f., 27 ff., 40 ff., 45 ff., 51 ff., 61, 68 ff.
Structured product	107ff.
Swap	Contract for the exchange of payment streams; not traded on-exchange or en masse. See OTC 142, 147, 171 f.
Time value	31, 38
Traded option	33, 35
Underlying, underlying asset	The asset on which a derivative financial instrument is based. Examples include interest rates, equities, bills, etc. Increasingly, derivatives are also traded on alternative underlyings such as catastrophe risks and weather as well as credit risks, although these underlyings are not traded assets in their own right. 3, 20 ff., 26 ff., 59 ff., 80, 86 f., 96 ff., 107 ff.
Volatility	Range within which a price or rate is expected to fluctuate 31, 206
Warrant	32, 55
Writer (of an option)	Seller (of an option) 21, 26, 40 f., 45 f.

Additional risk Information

ADDITIONAL RISK INFORMATION

The purpose of this information is to highlight some additional risks which may be associated with certain investments. This document complements the brochure “Special Risks in Securities Trading” issued by the Swiss Bankers Association.

1. Fiduciary deposits

The Client’s attention is drawn to the risk of counterparty default, which would result in losing all or part of his investment.

Transactions in fiduciary deposits or other investments with counterparties that are not on the list of counterparties approved by the Bank will be executed at the Client’s sole risk without any analysis whatsoever of their ratings.

2. Investments in non-traditional funds

2.1. Definition of non-traditional funds

Non-traditional funds are entities structured similarly to companies or investment funds whose purpose is to manage assets pooled by a group of investors. The object of non-traditional funds is to maximise investment returns, which entails exposure to higher risk investments. The following funds are non-traditional funds:

Hedge funds are pooled investment vehicles, irrespective of their legal form of organisation, the country in which they have been set up and their investment strategy, which use unconventional techniques such as financial derivative instruments, short selling and/or borrowing. These types of funds are generally highly leveraged.

Funds of hedge funds are pooled investment vehicles, irrespective of their legal form of organisation and the country in which they have been set up, which invest in hedge funds.

Private equity funds are pooled investment vehicles, irrespective of their legal form of organisation and the country in which they have been set up, which invest in companies that are not listed on a stock exchange or traded in another regular market and are not liquid.

Offshore funds, irrespective of their legal form of organisation and investment policy, are funds domiciled in countries that do not have the same supervision of mutual funds as Switzerland.

Real estate funds are investment vehicles, irrespective of their legal form and the country in which they are set up, which invest directly or indirectly in real estate.

2.2 Risks

The main risks are as follows:

Economic risk: Non-traditional funds usually have high minimum investments and carry substantial financial risks, including the risk of losing all the assets invested. The fee structures of such funds are generally complex, and the fees themselves are higher than for conventional investments. Past performance does not guarantee future results.

Moreover, non-traditional funds may still be at the development stage and may not have started to generate gains. They may have high exposure to changes in technology, commodity prices and the environment in which they operate. For these reasons, the possibility of some non-traditional funds never making any gains on their activities, and even losing all the assets made available to them, should not be ruled out.

Furthermore, non-traditional funds are generally smaller and less established than listed companies. They often face major challenges and problems in the areas of management, human resources, intellectual property, and their operating environment. These funds are consequently more dependent on the skills and commitment of a small number of people and are more vulnerable to market fluctuations. The Client’s attention is drawn to the fact that only a very small number of these funds are able to attain a level of profitability and maturity sufficient to ensure the survival of their activities over the medium or long term.

Operating risk: The operating systems and checking procedures of some non-traditional funds may be poor or unsuitable and thus lead to losses. There may also be risks due to a lack of disclosure regarding the investments made. When the investment takes the form of an indirect investment, it is also important to take account of counterparty risks (administrator, custodian of the investment vehicle, and prime broker).

Limited marketability: The investments made by non-traditional funds may be illiquid, and thus redemptions may be temporarily suspended. Furthermore, non-traditional funds generally have long waiting periods for subscriptions and redemptions as well as lock-up periods. In some cases, particularly with private equity funds, the lock-up period may be several years.

Valuation-related risk: Valuing non-traditional funds can be a complex process that is dependent on subjective assessments as there is no real market for the securities in these funds. The securities valuation, even if carried out diligently and in line with best practice, may therefore prove to be inaccurate.

Risks associated with limited diversification: An investment in non-traditional funds may be associated with a one-off investment opportunity and therefore may increase the risks inherent in the investment by raising the portfolio's exposure to adverse performance in certain industries and/or regions.

Legal risk / lack of regulatory supervision: Non-traditional funds may be set up in jurisdictions where there is very little (if any) regulatory supervision and where there are limited or virtually no requirements as regards accounting and transparency, which implies less effective protection of investors' interests. In addition, some non-traditional funds require substantial guarantees from investors prior to any investment.

Call back: In non-traditional funds, the Client may be exposed to subsequent call backs. Commitments for subsequent call backs may cover several years. Thus, the Client's commitments are not limited to his initial investment. If the Client defaults on the call back, all or part of his rights may be lost.

Lock-up periods/early redemption penalties: Most investments in non-traditional instruments are subject to either "lock-up periods" or "redemption penalties" if investments are redeemed within a certain period of time. This is because of the relatively illiquid investments undertaken by the instrument, which tend to be subject to a longer-term investment view.

Net asset value cannot be determined until investment decisions are taken: The net asset value ("NAV") of a non-traditional investment instrument is usually not known at the time an investor commits to invest or redeem their investment. This is because a notice period is normally required prior to investment and redemption. Therefore, the NAV cannot be calculated until the investment has been made or redeemed.

Limited liquidity/delay redemption: Many of the investments techniques used in the alternative investments industry involve investments in either illiquid financial instruments or instruments that are subject to legal or other restrictions on transfer. Therefore, selling a non-traditional investment position may only be possible periodically or on certain dates after a notice period of several weeks, for example on specific dates four times a year. The payment of sales proceeds may be subject to bid/ask spreads compared to the net asset value of the instrument.

3. Investments in emerging markets

3.1 Definition of emerging markets

Emerging markets are the markets for securities trading in countries that have one or more of the following characteristics: (i) a certain degree of political instability; (ii) relatively unpredictable financial markets and economic growth patterns; (iii) a financial market that is still at the development stage; (iv) a weak economy.

The list of emerging countries, which is subject to change, includes all countries except Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

3.2. Risks

Investments in emerging markets carry greater risks and are often speculative. Such investments should be made only by persons who have a thorough understanding of them and are thus aware of the myriad risks and have sufficient funds to assume those substantial risks.

The risks are described in detail in the brochure "Special Risks in Securities Trading", published by the Swiss Bankers Association.

When the Client instructs the Bank to invest in emerging markets, the Bank is entitled to assume that the Client has read and understood the aforementioned brochure and that he does not need additional information on the characteristics and risks related to such investments.

The Client's attention is drawn to the fact that he may lose all or part of the assets he has invested and that, in certain cases, he may be liable for more than the amount initially invested (call back).

SwissBanking (2014)

**Guidelines on the treatment of assets
without contact and dormant assets held at
Swiss banks (Guidelines on Dormant Assets)**

Preliminary

- 1 The following Guidelines seek to ensure that organisational measures are in place to ensure contact remains or can be restored between banks and customers. They also seek to set out the details of the legal process for liquidating dormant assets in the interests of those affected.
- 2 In particular, they serve the following purposes:
- 3 • Preventing contact with the customer from being broken off;
- 4 • Protecting against the misuse of assets when contact with the customer has been broken off;
- 5 • Managing assets in accordance with consistent principles when contact with the customer has been broken off;
- 6 • Restoring contact between banks and beneficiaries;
- 7 • Making it easier for customers and beneficiaries to search for assets;
- 8 • Implementing in appropriate form the provisions of article 37m of the Banking Act and articles 49-59 of the Banking Ordinance on the liquidation of dormant assets.

Terms - Basic principles on absence of contact and on dormancy

- 9 **Introductory remarks:** The term «dormant assets» has been redefined in article 45 of the Banking Ordinance; dormancy begins 10 years after the last documented contact with the customer. As described below, contact with the customer may be broken off at any time, resulting in absence of contact and placing the bank under the obligation to act in accordance with these Guidelines even before the 10-year period has elapsed. Accordingly, a distinction must be drawn between
- 10 • Dormancy (Banking Ordinance¹) and
- 11 • Absence of contact (Guidelines).
- 12 **Absence of contact:** This occurs in principle when the customer or their authorised agent fails to contact the bank and the bank is unable to contact the customer or their authorised agent. If the customer's authorised agent is also the customer's independent asset manager or investment advisor, and if the business relationship between the authorised agent and the customer is without contact, the authorised agent may inform the bank. As a consequence, the customer relationship will also be considered to be without contact for the bank.
- 13 Absence of contact occurs in the case of a customer to whom post is regularly sent when:
- 14 • The correspondence sent to the customer is returned;
- 15 • There is no other contact whatever with the customer;
- 16 • Measures taken by the bank to contact the customer (see IV. 2. and 3.) have failed.
- 17 In the following cases, absence of contact occurs only after a period of 10 years (concurrently with dormancy under article 45 of the Banking Ordinance), unless the bank has previously received knowledge that the customer has died and any heirs or authorised agents cannot be contacted:
- 18 a) Savings passbooks: When 10 years have passed without the customer having had interest entered and there has been no other contact with the customer.
- 19 b) Safe-deposit boxes: When there is no record of the customer having visited their safe-deposit box for 10 years, and there has been no other contact with the customer.
- 20 c) Poste restante at the bank or other special instructions of the customer: When there has been no contact with the customer for 10 years;
- 21 **Electronic banking relationships (e-banking):** Absence of contact occurs when there has been no contact with the customer for 3 years, unless the bank has previously received knowledge that the customer has died and any heirs or authorised agents cannot be contacted.
- 22 **Contact:** Means any news, instruction, message or statement received from the customer or their authorised agent or heir which triggers a movement on the account or custody account, or an entry in the files. The same applies in the case of e-banking, plus any login using the customer's means of identification or those of any authorised agent, where such login can be ascertained. There is no longer deemed to be any contact in cases where in the event of the customer's death any heir or authorised agent does not assist in the provision of proof of legal succession within a reasonable period.
- 23 **Customer relationship:** Absence of contact relates to the customer of a bank in Switzerland and not to a particular contractual relationship with them. Where a customer has several accounts, passbooks, custody accounts or safe-deposit boxes, any contact concerning a single one of them precludes all of them from being without contact.

¹ English translation of legal quotes (Banking Act, Banking Ordinance) by SBA.

24 **Dormancy** (article 45 of the Banking Ordinance):

- ¹ Assets are considered dormant if the bank has been unable to make contact for 10 years following the last contact with the bank customer or their heirs (beneficiaries) or one of their authorised agents.
 - ² The last contact is considered to be the last contact shown in the bank's records.
 - ³ Assets which are transferred to another bank owing to the liquidation of the transferring bank are considered dormant before 10 years have expired if the transferring bank provides evidence that it has taken all necessary steps to restore contact with the beneficiary.»
- 25 The occurrence of dormancy does not abrogate absence of contact under these Guidelines. However, restoration of contact with the customer abrogates both absence of contact and dormancy.

I - PREVENTIVE MEASURES AGAINST LOSS OF CONTACT WITH THE CUSTOMER

26 Banks must use preventive measures to take precautions and create instruments to avoid contact with customers being broken off and to minimise the number of customer relationships that become without contact.

1. Product design

27 Banks should design their products so as to ensure contact between customer and bank and as far as possible minimise the risk of losing contact. For example, it does not seem sensible to charge customers for closing an account, in so far as this induces them to leave a small residual balance.

2. Customer information

- 28 Banks should inform and advise customers verbally or in writing of the problems and consequences of absence of contact when opening a business relationship and on further suitable occasions, and draw their attention to their own responsibility to avoid loss of contact. This includes informing the bank of any changes of address and naming a general authorised agent or special contact person the bank can approach exclusively in the event of absence of contact.
- 29 During personal conversations with the customer where the subject of absence of contact is raised, the question of inheritance, which may harbour particular risks in this respect, should also be discussed.
- 30 Banks may provide customers with a leaflet for general information. The Swiss Bankers Association may make such a leaflet available to banks, but it is not binding on any individual bank.

II - SUPERVISING AND MANAGING ASSETS WITHOUT CONTACT

1. Organisational measures

- 31 Banks must issue internal directives containing the following measures for central processing:
- 32 • A suitable control system must ensure that all assets without contact are identified promptly and completely.
 - 33 • The assets in question must be specially highlighted and recorded centrally by the bank in order to make it easier for beneficiaries to search for them.
 - 34 • Suitable security measures must be put in place to protect the assets in question from unauthorised access.
 - 35 • Banks must designate internal units or persons responsible for handling assets without contact.
 - 36 • Special archiving principles (see margin no. 51–52 below) must be observed for the assets in question.
 - 37 • These Guidelines apply equally to numbered accounts, numbered custody accounts and safe-deposit boxes.
 - 38 • Banks must keep a record of the costs to be charged to customers for dealing with assets without contact.
 - 39 • Amounts below CHF 1,000 may be pooled in a collective account at the bank's discretion.

2. Protection of beneficiaries' rights in the event of absence of contact and waiver of right to terminate

- 40 The rights of customers and their heirs in respect of the bank are not affected by absence of contact.
- 41 Waiver of right to terminate: The bank waives the right to terminate contractual relationships with customers merely on the grounds of absence of contact and to thereby trigger a limitation period.
- 42 Exception: Banks have the right to terminate a contractual relationship or set off their claims against the customer or their heirs, if they are not met when due or are no longer covered. Special regulations, in particular regulations issued by governments and other authorities requiring termination or making it seem appropriate, may also apply.

3. Managing assets so as to protect interests in the event of absence of contact

- 43 The bank must protect the reasonable interests of customers or their heirs who are the beneficiaries of assets in the event of absence of contact. Banks must issue internal directives to ensure such assets are managed in a consistent manner. The following principles must be observed:
- 44 • Savings accounts must be continued unchanged and interest accrued at the bank's current rates.
 - 45 • Current accounts and similar balances must be invested to protect the customer's interests, i.e. diligently and, as far as the customer's interests allow, profitably (e.g. in savings accounts, medium-term notes or a fund with a conservative risk profile).
 - 46 • Securities accounts should be continued as usual; money from maturing securities and accumulated interest should be invested in similar or other suitable securities or savings products, taking into account the investment situation at the time of reinvestment. Smaller custody accounts may be transferred to, for example, a fund or similar to generate an appropriate return at the discretion of the bank. The bank may also invest in other assets to avoid loss or, where appropriate, improve performance.
 - 47 • Asset management mandates must be continued unchanged. If the instructions or investment strategy laid down by the customer are manifestly detrimental to their interests, the bank may make appropriate amendments to the investment strategy
 - 48 • Safe-deposit boxes may be opened, especially when the rent is no longer covered, in accordance with internal directives (keeping a written record and in the presence of, for example, the auditor or someone subject to a professional duty of confidentiality). Even where the rent is covered, safe-deposit boxes may be opened in the event of dormancy in order to complete the search measures and with a view to liquidation. The contents of safe-deposit boxes that have been opened may be stored centrally.
 - 49 If the contents of a safe-deposit box are standard bank assets and administrative action (e.g. redeeming coupons) or investment seems to be required in the customer's interests, the bank must take the necessary steps. For all other assets, the bank's actions are restricted to safekeeping.

4. Costs and fees

- 50 The bank's usual fees and costs continue to apply in cases of absence of contact or dormancy. Banks may also charge the customer for costs incurred for making inquiries and for special handling and treatment of assets without contact. Expenditure which leads to disproportional charges for the customer must be avoided (see also margin no. 54).

III - ARCHIVING

1. Archiving in the event of absence of contact

- 51 The bank must archive contractual/basic documents and account/custody account statements held when absence of contact occurs beyond the statutory retention period (article 958f CO) until liquidation (article 37m of the Banking Act, article 57 of the Banking Ordinance) or restoration of contact with the customer.

2. Nature of archiving

- 52 Documents and records may be archived in any standard form, e.g. original files, electronic data media or film.

IV - RESTORATION OF CONTACT WITH THE CUSTOMER

1. Principles for searching for beneficiaries

A) BANK-CLIENT CONFIDENTIALITY

- 53 Bank-client confidentiality must be observed when searching for the beneficiary of assets without contact. This is without prejudice to any action taken by the bank under articles 37l–37m of the Banking Act and articles 46–59 of the Banking Ordinance.

B) PROPORTIONALITY OF SEARCH MEASURES

- 54 Searches by banks for individual beneficiaries must be proportionate. The costs and effort should reflect the amount of assets concerned and remain proportionate overall.

2. Searches by banks

- 55 Once a bank ascertains that contact has been lost with a customer, attempts must be made to restore contact with the customer by means of internal inquiries such as address books, electronic telephone books, the internet, if possible also by contacting authorised agents or other contact persons (see margin no. 28), or with the assistance of service providers.
- 56 If these measures are unsuccessful, it is for the banks to decide whether and when they appoint an agent to search for the customer/ heir. Again, such action by the bank must be proportionate.

3. Searches through the Central Claims Office

57 Central Claims Office: For the search of beneficiaries for assets without contact, the Board of Directors of the Swiss Bankers Association appoints the Swiss Banking Ombudsman as the Central Claims Office. SIX SAG administers the database of assets without contact.

A) BANKS' OBLIGATION TO REPORT

58 Banks in Switzerland are obliged to report to SIX SAG the details of all customers without contact where the assets amount to more than CHF 500, and the details of all safe-deposit boxes. Only the Swiss Banking Ombudsman, as the Central Claims Office, has access to the database.

59 Once contact with a customer has been restored, the information in the database must be deleted by the relevant bank. The same applies when an asset without contact has been exhausted or absorbed, for instance, as a result of being used to pay costs or fees charged (see margin no. 50) or for offsetting purposes.

60 The report must contain the surname, first name, date of birth, nationality and address of the customer and any authorised agent. This also applies to numbered or pseudonym accounts and custody accounts.

B) CONDITIONS FOR INITIATING AN ENQUIRY BY THE CENTRAL CLAIMS OFFICE

61 Anyone who credibly claims to be a customer or heir of a deceased or missing customer of a bank or a representative of such but does not know the name of the bank can ask the Central Claims Office to make inquiries into dormant assets. The Central Claims Office requires:

- 62 • A credible claim that there is a customer relationship with a bank in Switzerland;
- 63 • The name of the person for whom the account, passbook, custody account or safe-deposit box was held;
- 64 • Documentary evidence of the entitlement of the claimant to any account, passbook, custody account or safe-deposit box that may still exist, specifically their identity and inheritance status.

C) PRELIMINARY EXAMINATION BY THE CENTRAL CLAIMS OFFICE

65 The Central Claims Office makes a preliminary examination of the documents submitted. If the request is deemed to be justified, it enters the claim in the database administered by SIX SAG.

D) FORWARDING THE REQUEST TO THE RELEVANT BANK

66 If the information in a claim matches a name in the database sufficiently closely, the Central Claims Office forwards the claim to the relevant bank for examination.

E) DECISION BY THE BANK

67 The bank must examine the applications received with appropriate diligence and decide on the claimant's entitlement based on the information available. If any further information is required, the bank may request this through the Central Claims Office.

68 If the decision is favourable, the bank must report the findings of its inquiry either to the Central Claims Office or directly to the claimant; if the latter, the Central Claims Office must be informed at the same time.

69 If the decision is negative, the bank must report its findings to the Central Claims Office together with a short substantiation. If there is any doubt, the Central Claims Office is entitled to examine the bank's records and if necessary issue a recommendation, together with instructions to contact the claimant in order that the claimant can enforce their claim against the bank directly.

F) CONFIDENTIALITY

70 The Central Claims Office and SIX SAG handle inquiries on behalf of the banks and the potential customer and as such are subject to bank-client confidentiality under article 47 of the Banking Act.

G) FEES

71 In principle, the Central Claims Office charges fees for handling such claims that are payable by the claimant. It may waive these as it deems appropriate in special circumstances, e.g. cases of financial hardship. The fees are set by the supervisory body of the Central Claims Office in consultation with the Swiss Bankers Association. SIX SAG may also charge banks a registration fee.

V - TRANSFERT TO ANOTHER BANK AND LIQUIDATION IN THE EVENT OF DORMANCY

72 The measures to be taken in the event of dormancy are based on article 37l–37m of the Banking Act and articles 45–59 of the Banking Ordinance. The Banking Act and Banking Ordinance take precedence over these Guidelines, whose purpose is to implement their application in practice.

1. Transfer to another bank

73 In the event of the transfer of dormant assets to another bank and within the framework of the provisions of article 371 of the Banking Act and articles 46–48 of the Banking Ordinance, banks are free to decide about their proceedings.

2. Publication and liquidation

74 Under article 50 (2) of the Banking Ordinance, the banks provide an electronic platform for the publication of dormant assets. SIX SAG (or, where appropriate, another service provider appointed by the Swiss Bankers Association) runs this platform, which meets state-of-the-art security requirements. The Board of Directors of the Swiss Bankers Association has appointed the Swiss Banking Ombudsman as the body to which claims to dormant assets are to be reported (the Central Claims Office).

75 Banks must publish assets of over CHF 500 that have been dormant for 50 years (article 49 of the Banking Ordinance). To this end, they report information on these assets to SIX SAG (see margin no. 88) on an ongoing basis or at regular intervals, but at least once a year. SIX SAG takes the information from the reporting bank unchanged and publishes it as and when received.

76 When calculating whether the threshold of CHF 500 making publication obligatory has been reached, the calculation basis is the total value of dormant assets the bank holds for one person (article 59 (2) of the Banking Ordinance). Valuation of the assets is based on the following principles:

- 77 • Credit balances and passbooks: The balance plus the contractual rate of interest up to the end of the preceding year, less fees and costs (see margin no. 50).
- 78 • Securities and precious metals: The market price or market value at the end of the preceding year, less fees and costs (see margin no. 50). Where a market price or value is not available, the nominal value applies.
- 79 • In the case of assets whose value is immediately recognisable as not exceeding CHF 500, no publication is required. This applies, for instance, to the contents of safe-deposit boxes. However, the bank is authorised to publish such assets should it choose to do so. In this case, the assets are published with the remark «Safe-deposit box – value unknown». In the case of assets whose value is not immediately recognisable but could possibly exceed CHF 500, publication is obligatory, along with the remark «Safe-deposit box – value unknown».

80 «If publication of an advertisement with the aim of locating the beneficiaries in a particular case is deemed suitable in another communication medium, the bank must also publish the request for information in this communication medium» (article 50 (3) of the Swiss Banking Ordinance).

81 If the information available allows the bank to subsequently restore contact with the customer (see margin no. 53–73) and this takes place, the assets concerned are no longer dormant and therefore no longer have to be published or liquidated.

82 «Where available», the following information must be published (article 49 (3) of the Banking Ordinance):

- 83 • «The address to which the report is to be sent» (article 49(3) (a)). As a rule, this is the Central Claims Office, which forwards the report to the bank concerned.
- 84 • «Name, date of birth and nationality or company name of the beneficiary and the last known domicile or registered office» (article 49(3) (b)). This also applies in particular to numbered and pseudonym accounts or passbooks. In the case of safedeposit boxes, the corresponding information on the person who rented it is to be published. The date of birth is only relevant for natural persons.
- 85 • «The account or passbook number, where the otherwise available information appears insufficient for the identity check» (article 49(3) (c)).

86 A decision may be taken not to publish, where such a decision is in the «clear interests of the beneficiary» (article 49(3) Preliminary) e.g. in the case of prominent and politically exposed persons.

87 Publication must make clear that, where claims are manifestly unfounded (article 53 (3) of the Banking Ordinance), the bank may charge the costs incurred in examining the claim (article 49 (4) (a)), and also that «claims become null and void upon liquidation of the assets» (para 4 (b)).

88 «Several dormant asset positions may be published together» (article 50 (5) of the Banking Ordinance). This means that it is not necessary to publish every position separately; several positions may be listed together and published, for instance, at regular intervals, but at least once a year. The bank itself decides which positions to publish together, when and at what intervals, subject to the provisions of the Act, the Ordinance and the Guidelines.

89 The Swiss Banking Ombudsman or the service provider acting on its behalf in accordance with margin no. 74 forwards all reported claims to the reporting bank where the information included in such claims are sufficiently consistent with the information published.

- 90 «On receiving forwarded claims to dormant assets, the bank must examine these on a case-by-case basis in accordance with the relevant legal and contractual provisions» (article 53 (1) sentence 1 of the Banking Ordinance). If it requires additional information, it may usually request this from the person making the claim or, if there are particular reasons for doing so, from the Central Claims Office. «If, on examining the claim, the bank finds that a claim is justified, the assets in question are no longer considered dormant» (article 53 (2) of the Banking Ordinance). In such a case, the bank notifies the claimant directly while at the same time notifying the Central Claims Office.
- 91 The bank also notifies the Central Claims Office if it finds that a claim is not justified. The Central Claims Office and SIX SAG act on behalf of the banks and, where relevant, their customers; they are therefore bound by bank-customer confidentiality (article 47 of the Banking Act). «The bank must document the results of its investigations in such a way as to ensure that the investigations are transparent» (article 53 (4) of the Banking Ordinance).
- 92 The bank must liquidate the assets within 2 years of the expiry of the reporting deadline if no claim was reported during that time, or within two years of «finding that the claims made are not justified» and keep a record both of the decision to liquidate the assets and of the liquidation of the assets (articles 54–57 of the Banking Ordinance). The bank must make arrangements for such assets to be liquidated in a way that, in the bank's due judgement, will allow for the best possible liquidation proceeds. Means of realising assets include in particular public auction, internet auction and private sale. Assets may not be sold privately to employees of the bank or their family members. The bank may arrange for assets to be transferred to specialised persons or companies for realisation. Dormant assets that could not be realised in the realisation process arranged by the bank, or those that, in the bank's judgement, have no liquidation value, must be offered by the bank to the government. If the government does not accept the assets, the bank may dispose of them in a proper, environmentally compatible way or give them to a recognised charitable organisation (article 54 (2) of the Banking Ordinance). Net proceeds resulting from liquidations must be transferred to the Federal Finance Administration at least once a year; upon this transfer, the liquidations concerned are complete and the claims of the beneficiaries become null and void (article 37m (2–3) of the Banking Act and article 57 of the Banking Ordinance).

VI - ENTRY INTO FORCE

- 93 These Guidelines enter into force on 1 January 2015 and replace those of 1 July 2000.
- 94 Assets that have been dormant for 50 years after 1 January 2015 must be reported to SIX SAG either on an ongoing basis or at regular intervals, but at least once a year, for publication.
- 95 «For assets that, upon entry into force of the amendment of 22 March 2013» – on 1 January 2015 – «have been dormant for over 50 years, there is a publication period of five years» (transitional provision for the amendment of the Banking Act of 22 March 2013).

SwissBanking (2009)

**Information from the SBA regarding
the disclosure of client details in payment
transactions, securities transactions and
other transaction types in connection with SWIFT**

INFORMATION FROM THE SBA REGARDING THE DISCLOSURE OF CLIENT DETAILS IN PAYMENT TRANSACTIONS, SECURITIES TRANSACTIONS AND OTHER TRANSACTION TYPES IN CONNECTION WITH SWIFT

Banks primarily use the services of SWIFT for payment transactions and the processing of securities transactions. At present, there is no other company that offers such services worldwide. Below we answer the questions that are posed to us most frequently with regard to SWIFT and the risks connected with disclosing data abroad.

What is SWIFT?

S.W.I.F.T. stands for “Society for Worldwide Interbank Financial Telecommunication”. It is a cooperative headquartered in Belgium and its members are made up of banks from numerous countries. SWIFT standardises the exchange of messages between financial institutions, i.e. the transmission of information between financial institutions, in connection with payment transactions and securities transactions, for example. The main participants in the message transmission system are banks, brokers, asset managers and national and international central securities depositories. SWIFT has very high standards with regard to data security and uses a secured network, which sends messages in an encrypted form, for the transmission of information. You can find more information about SWIFT on its homepage at www.swift.com.

How does SWIFT work?

In order to demonstrate how SWIFT works, we will use the following example: If you authorise your bank to send EUR 500 to a friend in Italy, the bank enters the order in an electronic form known as a SWIFT message, which is provided by SWIFT. The bank debits EUR 500 to your account and sends the SWIFT message via SWIFT to your friend’s bank in Italy. The encrypted SWIFT message informs your friend’s bank that there is a transfer order for him and that the equivalent of EUR 500 should be debited to the offset account that your bank has with this particular receiving bank and credited to your friend. **Please note: SWIFT only exchanges encrypted messages. No funds are exchanged via SWIFT.**

What does SWIFT do with your data?

In addition to its message transfer network, SWIFT currently also operates two computer centres for data processing, in the US and the Netherlands, with a further centre in the pipeline for Switzerland. At these computer centres, the messages within the SWIFT network are encrypted, checked to ensure they have the correct structure, uniquely referenced, stored in a cache and inspected for alterations. The data is processed in one computer centre and saved at a second for security reasons (backup). The storage period at SWIFT is a maximum of 124 days. During this time, the messages are saved at both computer centres. Following this period, the messages are deleted from all databases at all locations. The information is stored for reasons of operational security, in case a financial institution requests that SWIFT reproduce messages. From the end of 2009 SWIFT will make available a facility which will allow participants to store data about information about the disclosure of client data in payment transactions – SBA – June 2009 2 transactions in Europe not only at a computer centre in the Netherlands but also at one in Switzerland.

DISCLOSURE OF DATA

What does this mean for your payment transactions?

For the processing of domestic and cross-border payments, information about the ordering customer is disclosed to the banks and system operators involved in Switzerland and abroad. This information is required primarily under the applicable provisions for the combating of money laundering and financing of terrorism. The main information provided includes the name, address and account or identification number of the ordering customer although date of birth and place of birth may be provided in place of the address. In the case of domestic payment transactions, this information may be omitted, with the exception of the account or identification number, although it must be forwarded to the beneficiary’s bank within three working days if it is requested. The banks and system operators in question are primarily correspondent banks of the bank issuing the payment, payment system providers (e.g. SIX Interbank Clearing AG in Switzerland) or SWIFT. It is also possible that the parties involved in the transaction may pass on the data, for processing or data backup to mandated third parties in other countries for instance. Furthermore, details about the ordering customer are provided to the beneficiary in Switzerland or abroad.

For **domestic payments in foreign currencies**, information on the person issuing the order is also disclosed to the banks and system operators abroad which are involved in the transaction. In the case of **domestic payments in Swiss francs**, it can also not be ruled out that information on the person issuing the payment will be sent abroad. This can occur, for example, if a bank is connected indirectly to the Swiss interbank payment system (“SIC”) via remoteGate rather than having a direct connection or if SWIFT is used to make clarifications regarding a transaction.

What does it mean if a bank is connected to SIC via remoteGate?

Domestic payments in Swiss francs are processed via SIC. This payment system is operated by SIX Interbank Clearing AG by mandate of the Swiss National Bank. Most financial institutions in Switzerland have direct access to SIC. However, there are some banks in Switzerland that execute only a few domestic transactions in Swiss francs, meaning that a connection to SIC would be relatively expensive. In 2000, banks such as these and institutions abroad were given the option of accessing SIC via SWIFT when SIX Interbank Clearing AG, commissioned and supported by the Swiss National Bank, developed remoteGate. When accessing SIC via SWIFT, data on the principal and the beneficiary are sent abroad and saved in SWIFT's computer centres. This is the case with banks that use remoteGate. However, it is not only the clients of banks that use remoteGate who are affected by the transfer of information abroad. Clients of banks which execute transactions with the users of remoteGate are also affected. If a bank that uses SIC sends a payment order to a bank that is connected to SIC via remoteGate, the payment order is transferred from SIC to the SWIFT system, meaning that data on the principal and the beneficiary is sent abroad.

What does this mean for securities transactions?

For the processing of domestic and cross-border securities transactions and inquires in connection with such transactions, there are two main areas which involve the disclosure of data to the banks and central depositories involved in Switzerland and abroad.

For deliveries and withdrawals of securities to and from custody accounts and custody account transfers, the custody account number, the name and the address of the end beneficiary in Switzerland may be sent abroad when this data is transmitted via SWIFT by the involved banks and central depositories to ensure orderly processing.

Furthermore, for securities held abroad on behalf of bank clients, the name of the securities holder or the name of the registered shareholder, and in some cases address details, are included in SWIFT messages. These SWIFT messages affect, for example, special transactions of the foreign depositories of Swiss banks, such as the opening of special custody accounts (in the name of the client), subscriptions and redemptions of foreign funds made in the name of the client, physical transfers of a client's special holdings held abroad, the entry and re-registration of shareholders in foreign registers and other special cases involving foreign capital transactions and the exercise of voting rights.

What does this mean for other transactions?

For other transactions such as documentary credits, guarantees, collections and foreign exchange transactions, all details on the transaction in question (e.g. names, addresses and account numbers of the parties involved in the transaction) are communicated to the banks and system operators involved via SWIFT and are therefore communicated abroad. As is the case with payment transactions and securities transactions, inquiries regarding transactions may also be made via SWIFT.

Why is data disclosed?

The information discussed above is disclosed in order to fulfil statutory and regulatory requirements in Switzerland and abroad. For example, in the case of cross-border payments, data on the ordering customer must be provided. The provision of this information also enables the orderly, efficient processing of transactions.

Are your details abroad protected?

Data sent abroad is no longer protected by Swiss law and is subject to the respective foreign legal system. Foreign laws and regulations may require that this data be passed on to authorities or other third parties, for instance. This was the case in 2001 when the US Treasury required the release of data from the SWIFT computer centre in the US following the terrorist attacks on the World Trade Center in New York. The US Treasury assured the EU authorities that it would adhere to European data protection standards and agreed to the relevant controls.

Tariff Schedule

GENERAL BANKING TARIFF SCHEDULE (ALL AMOUNTS IN CHF)

Account Fees, charged quarterly	All amounts in CHF
Annual Private Banking fee	500
Annual Hold Mail fee	2,000
Annual Numbered Account fee	2,000
Custody Fees (excluding precious metals)	
Up to 1,000,000	0.40%
1,000,000 to 5,000,000	0.35%
Above 5,000,000	0.30%
Securities Administration	
Securities transfer (per line)	50
Physical certificate	200/each
Money Transfers	
E-banking CHF payments	20*
E-banking other currency payments	30*
Money transfer (wire) in CHF	30*
Money transfer (wire) in other currencies	60*
Cash withdrawal & deposit (minimum CHF 200, except on CHF)	1.00%
Other	
Account closing charge	200
Searches & investigations time spent (minimum CHF 200)	200/hour
SWIFT payment copy	50/each
Courier charges	75/each
Audit letter	250/each
Safe deposit box (available to clients with minimum assets greater than CHF 5 million)	according to size

Loans & Guarantees

Please ask for a personal quote

Additional fees or commissions may be charged for transactions and services not mentioned in this Tariff Schedule.

FAB Private Bank (Suisse) SA reserves the right to amend the Tariff Schedule at any time.

Any value added tax or other duties payable shall be charged in addition to the prices stipulated. All applicable taxes, levies and expenses are borne by the Client. Please note that the Swiss Value Added Tax (VAT) is not included in the bank's fees and will be charged separately when due.

Additional third party costs & commissions are not included and will be charged in addition to this Tariff Schedule.

Within the framework of its financial distribution activities, FAB Private Bank (Suisse) SA may receive a discount or a trailer fee from a third party: these fees can be in the typical range of 0.2% to 2.5%. The Bank reserves in this case the right to sell the product to the client at the nominal value. For further information, please refer to Article 32 of our General Terms and Conditions.

* Money transfers:

1. "All costs to be borne by the ordering client (OUR)": you will be charged the FAB costs listed above and a third-party flat rate fee of CHF 20 (for payments up to CHF 50,000 or equivalent) and a CHF 40 for payments over this, which covers all additional costs.
2. "Breakdown of costs (SHA)": you will be charged the FAB costs listed above, and the beneficiary will pay the third-party charges, which are deducted from the transfer amount.
3. "All costs to be borne by the beneficiary (BEN)": The beneficiary pays the FAB cost listed above and the third-party charges, which are deducted from the transfer amount.

INVESTMENT TRANSACTIONS - TARIFF SCHEDULE

Equities, ETFs and Warrants

	Main International Exchanges ¹	MENA	Other ²
Up to 100,000	1.60%	1.40%	1.80%
100,000 to 250,000	1.40%	1.20%	1.60%
250,000 to 500,000	1.00%	0.80%	1.20%
500,000 to 1,000,000	0.90%	0.70%	1.10%
Above 1,000,000	0.60%	0.60%	0.80%
Minimum fee	200	200	200

Bonds, Treasury Bills and Notes

Up to 100,000	0.80%
100,000 to 250,000	0.60%
250,000 to 500,000	0.50%
500,000 to 1,000,000	0.40%
Above 1,000,000	0.35%
Minimum fee	200

Investment Funds ³

	Money Market Funds	Fixed Income Funds	Equity & Multi-Asset Funds	Alternative Investment Funds
Up to 100,000	0.25%	1.00%	1.50%	1.85%
100,000 to 250,000	0.25%	0.85%	1.40%	1.70%
250,000 to 500,000	0.25%	0.65%	1.20%	1.30%
500,000 to 1,000,000	0.25%	0.60%	1.10%	1.20%
Above 1,000,000	0.25%	0.45%	1.00%	0.85%
Minimum fee	200	200	200	500

Fiduciary Deposits and Precious Metals

Fiduciary Deposits are all subject to a minimum deposit size of 250,000

48 hours call-deposit	0.250% p.a.
Fixed Term Fiduciary Deposit:	
Up to 1,000,000	0.500% p.a.
1,000,000 to 3,000,000	0.375% p.a.
Above 3,000,000	0.250% p.a.

Precious Metals (excluding physical metals)

Transaction fee	0.75%
Minimum fee	200

Exchange-Traded Derivatives

Exchange	Stock, Index and Futures Options Per contract	Futures Contracts Per contract
European and USA Exchanges	5 ⁴	15 ⁵
Other Countries	Available on request	Available on request
Minimum fee	200	200

Structured Products

	Less than one year	Greater than one year
Up to 1 million	1.50% p.a.	1.50%
Greater than 1 million	0.75% p.a.	1%
Minimum fee	200	200

1. Defined as USA, Canada, Europe and Japan
2. All other countries which are not Main International Exchange or MENA
3. Excluding private equity & closed-end real estate funds. Pricing on a case-by-case basis and upon request.
4. Cost in the currency of the transaction (USD, EUR, GBP, CHF)
5. Cost in the currency of the transaction (USD, EUR, GBP, CHF)

INVESTMENT ADVISORY MANDATE - ACTIVE PORTFOLIO TARIFF SCHEDULE

The Active Portfolio Tariff includes the following services:

- Comprehensive investment advice
- Annual private banking fee and custody fees
- Direct mail dispatch

The size of the tariff depends on your risk profile and chosen mandate. The percentages mentioned are annual rates (charged quarterly).

The Active Portfolio tariff will be calculated on a monthly basis as at the last business day of each month over the gross asset value of the Mandate and will be payable quarterly in arrears. The Active Portfolio tariff will be debited respectively on March 31, June 30, September 30, and December 31.

Additional third party costs & commissions are not included and will be charged in addition to this Tariff Schedule.

Within the framework of its financial distribution activities, FAB Private Bank (Suisse) SA may receive a discount or a trailer fee from a third party: these fees can be in the typical range of 0.2% to 2.5%. The Bank reserves in this case the right to sell the product to the client at the nominal value. For further information, please refer to Article 32 of our General Terms and Conditions.

If the Mandate is terminated before the end of the quarter, the tariff will be charged on a pro-rata basis. For the month in which the Mandate was terminated, the full monthly tariff will be charged.

Active Portfolio Tariff (per annum)	Fixed Income	Conservative	Balanced	Growth	Equity
Investment value					
First 1 to 5 million	0.55%	0.55%	0.70%	0.70%	0.70%
Following 5 to 10 million	0.45%	0.45%	0.60%	0.60%	0.60%
Following 10 to 25 million	0.35%	0.35%	0.50%	0.50%	0.50%
Above 25 million		Please ask for a personal quote			

Equities, ETFs and Warrants

	Main International Exchanges ¹	MENA	Other ²
Up to 100,000	1.20%	1.00%	1.40%
100,000 to 250,000	1.00%	0.90%	1.20%
250,000 to 500,000	0.75%	0.60%	0.90%
500,000 to 1,000,000	0.70%	0.50%	0.80%
Above 1,000,000	0.50%	0.40%	0.60%
Minimum fee	200	200	200

Bonds, Treasury Bills and Notes

Up to 100,000	0.60%
100,000 to 250,000	0.45%
250,000 to 500,000	0.40%
500,000 to 1,000,000	0.30%
Above 1,000,000	0.25%
Minimum fee	200

Investment Funds ³

	Money Market Funds	Fixed Income Funds	Equity & Multi-Asset Funds	Alternative Investment Funds
Up to 100,000	0.25%	0.75%	1.10%	1.40%
100,000 to 250,000	0.25%	0.65%	1.00%	1.25%
250,000 to 500,000	0.25%	0.50%	0.90%	1.00%
500,000 to 1,000,000	0.25%	0.45%	0.80%	0.90%
Above 1,000,000	0.25%	0.35%	0.75%	0.65%
Minimum fee	200	200	200	500

... / ...

Fiduciary Deposits and Precious Metals

Fiduciary Deposits are all subject to a minimum deposit size of 250,000

48 hours call-deposit	0.250% p.a.
Fixed Term Fiduciary Deposit:	
Up to 1,000,000	0.400% p.a.
1,000,000 to 3,000,000	0.300% p.a.
Above 3,000,000	0.200% p.a.

Precious Metals (excluding physical metals)

Transaction fee	0.60%
Minimum fee	200

Exchange-Traded Derivatives

Exchange	Stock, Index and Futures Options Per contract	Futures Contracts Per contract
European and USA Exchanges	5 ⁴	15 ⁵
Other Countries	Available on request	Available on request
Minimum fee	200	200

Structured Products

	Less than one year	Greater than one year
Up to 1 million	1.15% p.a.	1.25%
Greater than 1 million	0.60% p.a.	0.75%
Minimum fee	200	200

1. Defined as USA, Canada, Europe and Japan
2. All other countries which are not Main International Exchange or MENA
3. Excluding private equity & closed-end real estate funds. Pricing on a case-by-case basis and upon request.
4. Cost in the currency of the transaction (USD, EUR, GBP, CHF)
5. Cost in the currency of the transaction (USD, EUR, GBP, CHF)

DISCRETIONARY PORTFOLIO MANAGEMENT - ALL-IN TARIFF SCHEDULE

FAB Classic Mandate	Fixed Income	Conservative	Balanced	Growth	Equity
Investment value					
1 to 5 million	1.00%	1.20%	1.40%	1.60%	1.60%
5 to 10 million	0.90%	1.10%	1.25%	1.45%	1.45%
10 to 25 million	0.80%	1.00%	1.10%	1.30%	1.30%
Above 25 million		Please ask for a personal quote			
FAB ETF Mandate					
Investment value					
500,000 (minimum)	0.90%	1.00%	1.00%	1.10%	1.10%
FAB Bespoke Mandate					
Investment value					
5 to 10 million	1.10%	1.30%	1.50%	1.70%	1.70%
10 to 25 million	1.00%	1.10%	1.30%	1.50%	1.50%
Above 25 million		Please ask for a personal quote			

Additional Information:

The FAB all-in tariff covers the management (decision & monitoring), administration and transaction costs (inclusive of annual private banking fee, custody fees, securities trading, money market, subscriptions & redemptions of funds and direct mail dispatch) of your portfolio, and providing you with information. Other banking fees such as money transfers and other (as per page 1), will continue to apply.

Additional third party costs & commissions are not included and will be charged in addition to this Tariff Schedule.

Within the framework of its financial distribution activities, FAB Private Bank (Suisse) SA may receive a discount or a trailer fee from a third party; these fees can be in the typical range of 0.2% to 2.5%.The Bank reserves in this case the right to sell the product to the client at the nominal value. For further information, please refer to Article 32 of our General Terms and Conditions.

The size of the tariff depends on your risk profile and chosen mandate. The percentages mentioned are annual rates (charged quarterly).

The all-in tariff will be calculated on a monthly basis as at the last business day of each month regarding the gross asset value of the Mandate, and will be payable quarterly in arrears. The all-in tariff will be debited respectively on March 31, June 30, September 30, and December 31.

If the Mandate is terminated before the end of the quarter, the tariff will be charged on a pro-rata basis. For the month in which the Mandate was terminated, the full monthly tariff will be charged.