

MiFID II – Information on dealing with potential conflicts of interest

Valid from 1 January 2018

European financial market regulations, in particular Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments (MiFID II) and Commission Delegated Regulation (EU) 2017/565 of 25 April 2016, require that banks take all appropriate precautionary measures in order to identify and avoid conflicts of interest that may arise during the provision of investment services or ancillary services. This also includes such conflicts of interest that can be attributed to the receipt of incentives by third parties, a financial institution's own remuneration structure or other in-house incentive structures of an investment firm.

For Bank Frick AG (hereinafter referred to as the "Bank"), the endeavour to align the interests of clients, shareholders and employees is at the heart of our actions.

At a bank that provides a large number of high-quality investment services and ancillary services in financial instruments for its clients, isolated conflicts of interest cannot be completely ruled out, however.

Conflicts of interest between the Bank and its clients, between different clients or between the Bank, its clients and employees may arise. They can also occur between the Bank and other financial services providers. Conflicts of interest can emerge, in particular, due to:

- the performance-based remuneration of employees and intermediaries;
- the Bank's relationships with issuers of financial instruments;
- the obtaining of information that is not publicly known (inside information);
- the involvement of employees and members of the Management Board on supervisory or advisory boards; or
- the private investment transactions of employees.

Conflicts of interest may mean that the Bank does not act in the best possible interests of the client. As a result, the client may suffer a financial disadvantage. In order to avoid potential conflicts of interest in advance, the Bank has taken a range of measures.

Measures to prevent potential conflicts of interest

Organisational measures

To ensure that services (e.g. the execution of orders) for our clients are not influenced by irrelevant interests, the Bank has organised itself in terms of both process and structure with a corresponding distribution of individual responsibilities. Both the Bank and its employees are required to maintain high ethical industry and professional standards. As a bank, we are committed to performing all investment services and ancillary investment services in an honest, fair and professional manner and in the best interests of our clients, while avoiding conflicts of interest to the greatest extent possible.

For this purpose, we have a Compliance unit in place, which performs its duties independently and is placed under the direct responsibility of the Management Board. This unit is responsible for the identification, prevention and management of conflicts of interest and the implementation of suitable measures. During the performance of their activities, our employees must observe the organisation and process descriptions issued by the Bank. Our employees must also comply with the regulations relating to the acceptance of gifts and other benefits. Finally, our employees receive ongoing training with a view to ensuring that their work complies with the relevant regulations and they are advised and monitored in performing their roles by Compliance and Internal Audit.



Specific measures

The following measures, among others, have been taken and ongoing adherence to their respective requirements is monitored by the Compliance unit, Internal Audit and the external auditors:

- Establishment of an organisational procedure for the safeguarding of client interests during the approval of new products;
- Own sales interest in financial products (financial products are, for example, only added to the recommendation list if the product quality appears appropriate);
- Processing of client orders according to the order in which they are received by the Bank;
- Reduction in the performance-based remuneration of employees and intermediaries (the Bank's remuneration system stipulates that a high share of employee compensation is accounted for by fixed remuneration, thus reducing the incentive for employees to enter into disproportionate risks at the cost of clients; intermediaries only receive commissions if these payments are intended to improve the quality of the service for the end client);
- Monitoring of the Bank's relationships with issuers (certain services relating to these issuers are either omitted or a Chinese wall between the Bank's departments and employees ensures that the exchange of information does not create a conflict of interests; departmental heads may not simultaneously manage a different department with conflicting interests);
- Identification of all private employee transactions for which employment-related conflicts of interest could emerge and obligation for all employees to disclose all transactions in financial instruments;
- Ongoing monitoring of all banking relationships of our employees;
- Compliance with the best-execution policy and client instructions during the execution of orders;
- Regulations regarding the acceptance of gifts and other benefits by our employees;
- Ongoing training of our employees.

Disclosure of unavoidable conflicts of interest

Some of the measures outlined above aimed at combating conflicts of interest are not enough to ensure with absolute certainty that the interests of the client will not be compromised. To this extent, the risk that clients may suffer a financial disadvantage due to the Bank acting to their detriment as a result of a conflict of interest is unavoidable.

Despite the ongoing monitoring of employees by the Bank, it is possible that, owing to personal misconduct, employees may intentionally circumvent the measures that have been taken to counter conflicts of interest or, due to negligence, may fail to comply with these measures and that these actions remain undetected by the Bank.

Should the Bank gain knowledge of conflicts of interest that cannot be rectified and that affect the client, these will be disclosed to the client in a timely manner.

Other important information

The Bank generally receives inducements (portfolio fees) from fund companies and securities issuers for the distribution of securities. The receipt of these payments and inducements serves to ensure the provision of efficient and high-quality infrastructures for the acquisition and disposal of financial instruments. These inducements are in line with the general market. Information on the exact amount of the inducements is provided retrospectively to the client at least once a year.

Finally, we also receive minor non-monetary benefits in connection with our investment business from other investment firms, including generic information on financial instruments, training and market analyses. We use these inducements in order to provide our services in the high level of quality expected by you and to improve them on an ongoing basis.

The inducements are intended to improve the quality of the services for the client. They do not affect the Bank's obligation to act in the best possible interests of the client.

In some cases, we pay commissions and fixed remuneration to third parties that refer clients or individual business to us with or without reference to a specific transaction. These commissions are used by the intermediaries to improve the quality of their services for clients.

Information on the receipt or granting of inducements can also be found in our General Business Conditions and other contractual documents.

Note

On request, we will provide you with additional details concerning these principles on dealing with potential conflicts of interest.