

General MiFID II Information Brochure

In this brochure¹, we would like to provide you with general information on the main legal requirements governing securities transactions and those aspects which are important for you. At the same time, we would like to provide you with specific information on the investment services provided by Kaiser Partner Privatbank AG (hereinafter referred to as the “Bank”).

Please study this brochure carefully and do not hesitate to contact us should you have any questions.

We will keep you informed about any significant changes to the information contained in this brochure via our website.

Introduction

The law requires banks that execute securities transactions or provide investment and ancillary services to supply their clients with detailed information on the securities transactions that they execute. The Bank satisfies this obligation by providing this brochure.

This brochure does not attempt to cover all aspects or types of securities transactions. Reference is also made below to the statutory bases and/or other information in those cases in which the Bank believes this would be helpful or useful for the client. Such information is or has been made available to the client.

1. General Information

1.1. Information about the Bank

The Bank's registered office and address are as follows:

Kaiser Partner Privatbank AG
Herrengasse 23, Postfach 725
9490 Vaduz, Liechtenstein

The Bank is a bank in the legal form of a company limited by shares, which is registered in the commercial register of the Principality of Liechtenstein (Reg. no. FL-0001.018.213), and which is licensed by and subject to the supervision of the Financial Market Authority (FMA) Liechtenstein, Landstrasse 109, Postfach 279, 9490 Vaduz, Liechtenstein.

The Bank is a member of the Liechtenstein Bankers Association and, for the protection of client monies, belongs to the Deposit Guarantee and Investor Protection Foundation PCC. The scope of liabilities protected by the Deposit Guarantee and Investor Protection Foundation PCC and other relevant topics are described in an information sheet published by the Liechtenstein Bankers Association. It can be obtained from the Bank or directly from the Deposit Guarantee and Investor Protection Foundation PCC.

Further information regarding the organization and structure of the Bank may be found in our annual report.

¹ Except where the context otherwise requires, words denoting any gender include all genders and words denoting persons include companies and other legal entities.

1.2. Language and Communication Channels

The contract language used between the Bank and the client is German. However, communications between the client and the Bank may also be conducted in English or, if agreed, in other languages.

In addition to direct verbal communications, the following communication channels may, if agreed, also be used: postal mail, telephone, fax, e-banking, e-mail or to an electronic vault.

2. Contract Conditions and General Terms and Conditions

The mutual rights and duties in connection with the execution of investment and/or ancillary services are set out in the relevant agreements, including the Bank's General Terms and Conditions and Custody Account Regulations (as amended). This brochure is provided as (supplementary) information only.

3. Client Classification

3.1. Classification by the Bank

There are the following client categories: "non-professional client", "professional client", and "eligible counterparty". The Bank shall classify its clients and notify the clients of their classification at the beginning of the bank relationship. Existing clients are only notified if they have been reclassified in another category.

The purpose of this classification of our clients according to their knowledge and experience of securities transactions, and the type, scope, and frequency of such transactions is to ensure that they are given an appropriate level of protection.

3.1.1. Non-Professional Clients

A "non-professional client" is a client who is not classified as a "professional client" or an "eligible counterparty". This classification provides the client with the highest level of protection.

3.1.2. Professional Clients

A "professional client" is a client who satisfies the criteria in Section 2 of Annex 1 of the Liechtenstein Banking Act (*Bankengesetz – BankG*). A lower level of protection is afforded "professional clients" than "non-professional clients". In the case of "professional clients", we assume, unlike in the case of "non-professional clients", that the client or person acting on the client's behalf has sufficient experience, knowledge, and expertise to understand investment services and thus to be able to adequately assess the risks involved.

3.1.3. Eligible Counterparties

Only regulated entities, large companies, governments, central banks, and international and supranational organizations are deemed to be "eligible counterparties". Eligible counterparties are afforded the lowest level of protection since they, or the persons acting on their behalf, are considered to have sufficient experience, knowledge, and expertise to understand securities transactions, and thus to be able to adequately assess the risks involved. The Bank does not, however, provide investment advisory or asset management services to such clients. If a client who has been classified as an eligible counterparty nevertheless requests such services, it must first be reclassified as a "professional client". Subsequently, the client is treated as a "professional client".

3.2. Reclassification

Clients are entitled to request a different classification, i.e. a reclassification at any time. The Bank is only able to undertake such reclassifications if the necessary regulatory requirements have been met. ***Reclassifications always lead to a change in the level of protection afforded a client and, in any case, apply to all investment and ancillary services.***

Accordingly, “non-professional clients” requesting reclassification or opting-up to “professional client” status must make a written request, and satisfy at least two of the following criteria:

- The client has carried out securities transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters.
- The size of the client’s financial instrument portfolio, including cash deposits and financial instruments, exceeds EUR 500,000.00 or the equivalent value in CHF.
- The client works, or has worked, in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged.

When checking the aforementioned criteria, the Bank relies on information and documents given by the client.

Without client's application the Bank will reclassify a client downward only if it is proven that such client does not fulfil the relevant criteria of its current client category any more. The Bank will inform the client about such downward reclassification on its own initiative.

4. Information about the Financial Instruments and Investment and Ancillary Services Offered by the Bank

4.1. Financial Instruments

There are many different kinds of financial instruments². The Liechtenstein Bankers Association’s brochure “Risks in Securities Trading” describes the different types of financial instruments and the risks involved in trading in them. The distinction to be drawn is essentially between what are known as “non-complex” and “complex” financial instruments.

4.2. Investment and Ancillary Services

To the extent possible and permitted by law, the Bank provides all kinds of investment and ancillary services³ for its clients, in particular in connection with the purchase and sale of financial instruments and with their custody. The Bank settles purchase and sale transactions either as part of its asset management (also referred to as “portfolio management”) or investment advisory services, or it settles them as execution-only transactions or transactions without advice.

4.2.1. Asset Management and Investment Advice

On request from the client, the Bank will provide asset management and investment advisory services.

Asset management means the management of the client’s individual financial instruments or an entire portfolio of the client’s financial instruments in accordance with the agreements reached between the client and the Bank, in particular the investment strategy agreed. The conclusion of an asset management agreement between the client and the Bank is necessary for the provision of asset management services. The client appoints and authorizes the Bank as part of its asset management services to make the necessary investment decisions for him and to implement such decisions.

Investment advice means a personal recommendation in connection with one or more financial instruments, which is made to a client pursuant to an agreement. The decision to invest (purchase, sell, or hold) remains entirely with the client.

The Bank offers its clients **independent investment advice** so as to be able to address their individual needs as independently and impartially as possible. Among other factors, the independence of the investment advice provided is reflected in the fact that the Bank does not receive any inducements

² For a definition of the term “financial instrument”, see Section C of Annex 2 of the Liechtenstein Banking Act.

³ You will find a detailed catalog of investment and ancillary services in Sections A and B of Annex 2 of the Liechtenstein Banking Act.

(retrocessions, kickbacks, etc.) or recommend its own financial instruments or those of issuers or providers with which it maintains close legal or economic ties.

As a rule, the Bank advises its clients in respect of all types of financial instruments in accordance with Section C of Annex 2 of the Liechtenstein Banking Act. However, the Bank does not provide services regarding complex financial instruments to "non-professional clients".

In connection with investment advice, it is necessary to conduct an analysis in order to be able to recommend one or more financial instruments. The analysis conducted by the Bank in connection with investment advice is based on various public and non-public sources of information and is structured, as a rule, as follows:

- We start by considering the particular needs and requirements of each client, which, as a rule, emerge from the investment advisory agreement, the investor profile, and (in specific individual cases) instructions. As a result, all of the relevant client-specific factors, such as the client's knowledge, experience, and risk preference, are taken into account when advising each client.
- On the basis of these guidelines (in particular, sectoral and geographical origin of the financial instrument and/or currency), the range of suitable financial instruments is narrowed for the first time.
- The focus is tightened a second time based on quantitative factors.
- The focus is tightened a final time based on a consideration of qualitative factors.
- The Bank identifies those financial instruments which it can recommend to the respective client in a specific case by following these analytical steps and, at the same time, taking into account any existing parameters from the issuer's perspective such as, for example, its definition of target markets and any other regulatory provisions.

It should be pointed out that it is conceivable that the Bank's analysis leads it to conclude – based on the needs and requirements of the client – that it can only recommend one financial instrument or even that it cannot recommend any financial instrument at all. In such a case, the Bank will inform the client in due course.

The law requires the Bank to obtain, in advance, a variety of information from the client in relation to both investment advice and asset management. This includes – where relevant – client-specific information regarding:

- Knowledge and experience
Information with respect to the type of services and transactions with financial instruments with which the client is familiar, and the type, scope, and frequency of transactions in financial instruments undertaken by the client, the client's level of education and profession or former professional activities.
- Investment objectives
Information about the intended investment purpose, the investment horizon, risk appetite, risk profile, and risk tolerance.
- Financial situation
Information about the source and amount of regular income payments and recurring liabilities, total assets, including liquid assets and real estate, and the ability to bear losses.

It is not until the Bank has obtained this information that it is able to recommend suitable transactions with financial instruments or, in connection with asset management, to propose suitable investment strategies. The Bank only considers services and financial instruments suitable if a suitability assessment indicates that

- the client has the knowledge and experience to be able to understand the risks;
- the services and financial instruments correspond with the client's investment objectives and personal circumstances (e.g. investment period); and
- the client is able financially to bear the investment risks of the services and financial instruments.

When providing investment advice, the Bank will, before the transaction is executed, provide the client with a statement on suitability in a durable medium, which confirms the suitability of the recommendation (Statement of Suitability). Where the client uses a means of telecommunication (telephone, fax, etc.) to issue a purchase or sale order for a financial instrument, the Bank may also provide the Statement of Suitability immediately after the issue of the order if a) the client has consented to receiving the Statement of Suitability without undue delay after the execution of the order and b) the client was given the option of delaying the transaction in order to receive the Statement of Suitability in advance. The Bank will not provide the client with regular assessments of the suitability of the recommended financial instruments.

If a client has been classified as a “professional client”, the Bank assumes when providing investment advice that the client has the necessary knowledge and experience and is fully capable to appraise all possibly related risks and financial impacts respectively. In the case of “born professional clients”, i.e. clients who did not become “professional clients” through opting up to professional client status, it is assumed, in addition, that they are able to financially bear the risks involved in the intended securities transaction.

In order to assess the experience and knowledge of a legal entity, the Bank takes into account the knowledge and experience of the natural persons who represent the legal entity. For these purposes, information about the knowledge and experience of each natural person representing a legal entity is collected separately. As the basis for its assessment with regard to specific investment advice, the Bank uses the knowledge and experience of the persons dealing with it.

The Bank relies on the information provided by the client for its assessment and assumes that the information is correct. Where the client does not provide the information or details requested or provides insufficient information or details, the Bank will be prohibited by law from providing investment advice or asset management services. It is therefore in the client’s interests to provide the Bank with the necessary information.

4.2.2. Execution Only

The Bank carries out purchase or sale transactions which are initiated by the client and involve “non-complex” financial instruments⁴ as execution-only transactions. Execution-only services are permitted in the case of the following financial instruments:

- Shares admitted to trading
- Bonds and pensions admitted to trading
- Money market instruments
- UCITS funds (not, however, AIF or structured UCITS)
- Structured deposits
- Other financial instruments previously classified by the Bank as "non-complex"

Irrespective of the client classification, the Bank does not check in the case of such execution-only transactions whether the transaction is appropriate in terms of the respective client’s experience and knowledge.

4.2.3. Transactions without Advice

Purchase or sale transactions with financial instruments which are not carried out as part of investment advice or asset management (section 4.2.1) or as execution-only transactions (section 4.2.2) are carried out by the Bank as transactions without advice.

⁴ For a definition of the term “non-complex financial instrument”, see Section B of Annex 2 of the Liechtenstein Banking Ordinance (*Bankenverordnung – BankV*). Unlike in the past, under MiFID II, Lombard transactions, derivatives, and financial instruments which make it more difficult to understand the inherent risks are no longer classified as “non-complex” financial instruments.

In the case of non-professional clients, it is also necessary in respect of these types of transactions to obtain information on the clients' knowledge and experience in the investment area in order to assess whether they understand the risks involved in the securities transaction (appropriateness test). However, no examination of financial ability to bear the associated risks is made. Similarly, the Bank dispenses with the necessity for examining whether the transaction meets investment objectives.

In the case of professional clients or eligible counterparties, the Bank dispenses with the necessity for examining the clients' ability to financially bear the risks of the transaction and the necessity for examining whether the transaction meets the clients' investment objectives, but instead assumes that these clients have the necessary knowledge and experience to understand the risks involved in the transaction.

The information provided in section 4.2.1 applies in the case of legal entities or where a person has a power of attorney.

If the Bank concludes when assessing appropriateness that the service or financial instrument is not suitable for a client or if the Bank does not have sufficient information to assess appropriateness, it will give the client a warning. If, for any reason, it is not possible to reach the client for the purposes of issuing the warning, the Bank reserves the right to, for the client's own protection, not execute the order.⁵

5. Order Execution Policy

The Bank provides all of its investment and ancillary services in an honest, fair, and professional manner in accordance with the best interests of the clients. It takes all of the measures that it considers necessary to ensure the best possible execution of client orders (best execution). In this context, it gives due consideration to different client categories. The principles that the Bank applies when executing its clients' orders are set out in its "Best-Execution Policy"⁶.

6. Costs and Associated Charges Related to Investment and Ancillary Services

The Bank's costs and associated charges related to investment and ancillary services are based on its schedule of fees (as amended).

The Bank will disclose to the client the costs and associated charges for its services and those costs and associated charges related to the management of financial instruments. At the same time, it will illustrate the effect of the overall costs and charges on the return of investment. Where the Bank provides information to the client on costs and associated charges on an ex ante basis, these constitute estimates. The actual costs and associated charges will be disclosed on an ex post basis and may differ from the ex ante estimate. When preparing a presentation of its costs, the Bank depends on data supplied by third parties. It is possible that such parties may use different settlement dates, different prices (e.g. average daily prices, closing prices) and – in the case of foreign currencies – different conversion rates and times. As a result, there may be divergences as well as accounting and rounding differences.

7. Principles for Dealing with Conflicts of Interest

The Bank has adopted a series of measures to avoid from the outset potential conflicts between the interests of a client and those of the Bank, its employees, or other clients, or to identify and deal with

⁵ See also the Bank's General Terms and Conditions.

⁶ See <https://kaiserpartner.com/en/mifid2/>

such conflicts, or where this is not possible, to disclose such conflicts. It has set out these measures in its “Conflicts of Interest Policy”⁷.

8. Client Statements/Reporting

The Bank will send the client a transaction statement immediately after executing a securities transaction on his behalf. Prior to executing an order, the Bank will only inform the client of the status of the execution if the client has expressly requested this or there are special circumstances or difficulties.

The Bank will forward the client a list of the financial instruments held for him, including a transaction overview (custody account statement) and an overview of all the credits and debits for the respective currency accounts (account statement). This will be done at regular intervals – usually once a quarter. The Bank will provide additional or other lists only where this has been agreed.

Vaduz, October 1, 2017

⁷ See <https://kaiserpartner.com/en/mifid2/>