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Portfolio managers under the new regulatory regime: what's new under FinSA / FinIA?

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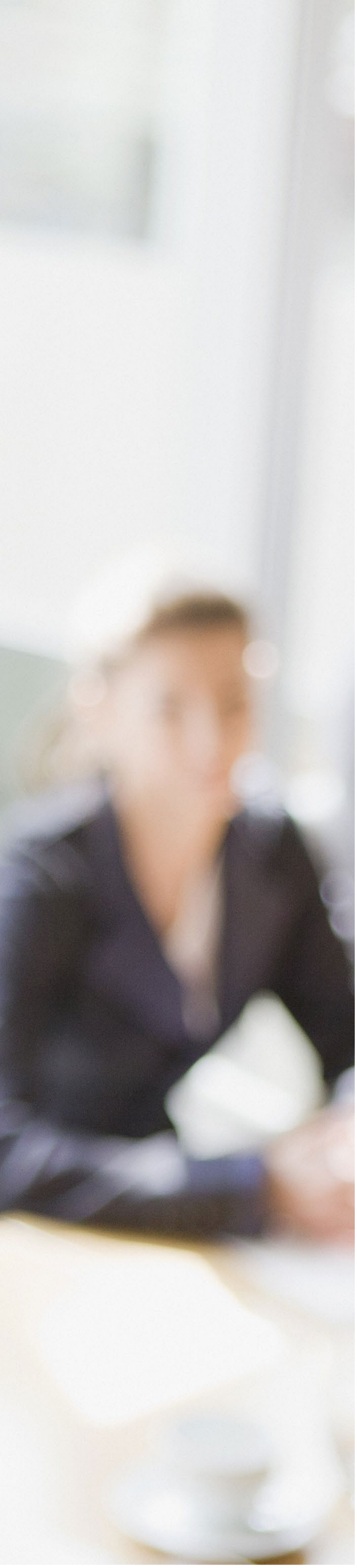


1 The new regulatory regime for portfolio managers

The adoption of the Federal Act on Financial Services (FinSA) and the Federal Act on Financial Institutions (FinIA) introduces new regulations for (i) all financial service providers and (ii) financial institutions in Switzerland, respectively. These have been complemented by two ordinances from the Federal Council, namely the Financial Services Ordinance (FinSO) and the Financial Institutions Ordinance (FinIO). Furthermore, an additional Financial Institutions Ordinance from the Swiss Financial Market Supervisory Authority (FINMA) is currently under public consultation. It will provide further details and guidance on how FINMA interprets the new laws. In addition, FINMA circulars or their amendments are also expected to be released around the third or fourth quarter of 2020.

These laws and ordinances also affect portfolio managers, as defined in FinIA as persons mandated to manage assets on a commercial basis in the name of, and on behalf of, clients (see section 2.1.1 for more details). Provided they fall under this definition, portfolio managers need to file an application with FINMA (see section 2.3 below).

The new regulatory model also contains a new regime of prudential supervision, where a newly established supervisory organisation will be responsible for the prudential supervision of the activity of portfolio managers.

Aside from authorisation requirements implemented by FinIA, portfolio managers will have to comply with a set of common rules regarding the offering of financial services under FinSA. New specific obligations have been introduced, such as information duties, client classification, checks as to the suitability and appropriateness of investments, and duties in relation to conflicts of interests (see section 3 below).

This brochure is intended to provide an overview of the implications of the adoption of FinSA/FinIA for portfolio managers and their internal organisation and daily practice, as well as to outline the steps portfolio managers will have to take in their FinIA/FinSA compliance journey.

2 The new portfolio manager authorisation under FinIA

2.1 Who is affected?

The new FINMA authorisation not only applies to portfolio management activity and portfolio managers as defined above, but also to managers of collective assets falling under the so-called de minimis threshold. Anyone who, on a commercial basis, conducts such activities in Switzerland needs to obtain an authorisation as portfolio manager. It should be noted that foreign portfolio managers with a permanent presence in Switzerland will have to set up a subsidiary, branch or representative office to carry out their activities in Switzerland and therefore also obtain authorisation from FINMA.

2.1.1 Portfolio managers

Before the introduction of FinIA, portfolio managers were not subject to prudential supervision except for anti-money laundering and counter-terrorist financing purposes.

With the entry into force of the FinIA, portfolio managers must now obtain authorisation from FINMA. Portfolio managers are defined as entities that have disposal over a client's assets on behalf and on the account of their clients. The most decisive question for the delineation between investment advice and portfolio management is whether the manager can take the investment or disinvestment decisions at his/her own discretion. In other words, the mere act of providing investment advice does not in itself authorise the advisor/manager to independently dispose over the assets and thus does not trigger any authorisation requirement. Instead, investment advisors are subject to rules of conduct and organisational requirements in accordance with FinSA (see section 3 below).

Furthermore, to be subject to FinIA, the portfolio management activity must be carried out on a commercial basis. Portfolio managers are deemed to act on a commercial basis if they reach any of the following thresholds: (i) yearly gross earnings of more than CHF 50,000, (ii) more than 20 ongoing business relationships per year, or (iii) unlimited power of disposal over third-party assets exceeding CHF 5 million.

2.1.2 Managers of collective assets

FinIA also regulates managers of collective assets, which are defined as persons **who manage assets on a commercial basis in the name and on behalf of collective investment schemes or occupational pension schemes.**

Managers of collective assets constitute another category of financial institutions also subject to an authorisation requirement under FinIA, but for whom a slightly different authorisation regime applies compared to the one for portfolio managers.

However, FinIA provides for different treatment for certain institutions that manage collective assets. Selected managers of collective assets are treated as portfolio managers and therefore will have to meet the authorisation requirements of portfolio managers, rather than those of managers of collective assets. Managers of collective assets are treated as portfolio managers under FinIA if they meet the following criteria ("**de minimis**" rules):

1. managers of collective assets whose investors are qualified according to the Collective Investment Scheme Act and fulfil one of the following conditions:
   (i) the assets of collective investment schemes under their management, including the assets acquired through the use of leveraged finance, amount to no more than CHF 100 million in total; or
   (ii) the assets of collective investment schemes under their management do not exceed CHF 500 million in total and do not include leveraged financial instruments, and the collective investment schemes give no right to redemption in the first five years after making the first investment; or
2. managers of collective assets managing assets of occupational pension schemes not exceeding CHF 100 million and, in the mandatory segment, manage no more than 20% of the assets of an individual occupational pension scheme.

Nevertheless, the above-mentioned managers of collective assets can request that FINMA treat and authorise them as managers of collective assets instead of portfolio managers if the state where the fund is established or offered, or where the occupational pension scheme is managed, requires this.

2.1.3 Investments advisors

In contrast to portfolio managers, investment advisors are not subject to the new FINMA portfolio manager authorisation requirement. They are not subject to FINMA authorisation because the services they provide do not include the typical elements of a discretionary mandate, as defined under 2.1.1.

Investment advisors must, however, register with a client advisor register and comply with the requirements of that registration.

2.2 What are the authorisation requirements

Portfolio managers seeking to obtain authorisation will need to be able to comply with certain requirements. As mentioned above and as a first step, portfolio managers will need to register with a supervisory organisation for prudential supervision purposes. Furthermore, they will need to make adjustments to their internal organisation to meet FinIA standards.

The key requirements are summarised below.

2.2.1 Legal form

Portfolio managers must be structured either as a sole proprietorship, a commercial enterprise (general partnership, limited partnership, company limited by shares, partnership limited by shares or limited liability company) or a cooperative. In all cases, a portfolio manager must be entered on the commercial register.

2.2.2 Capital

A minimum capital of CHF 100,000 must be fully paid in (in cash). This requirement must be complied with at all times.

2.2.3 Own funds

A portfolio manager must have own funds available that cover at least a quarter of the fixed costs (personnel expenses, operating business expenses, depreciation of investment assets and costs of valuation adjustments provisions and losses), up to a maximum of CHF 10 million.

2.2.4 Organisation and management

Portfolio managers need to comply with certain organisational requirements by setting up a proper management structure that fulfils certain requirements.

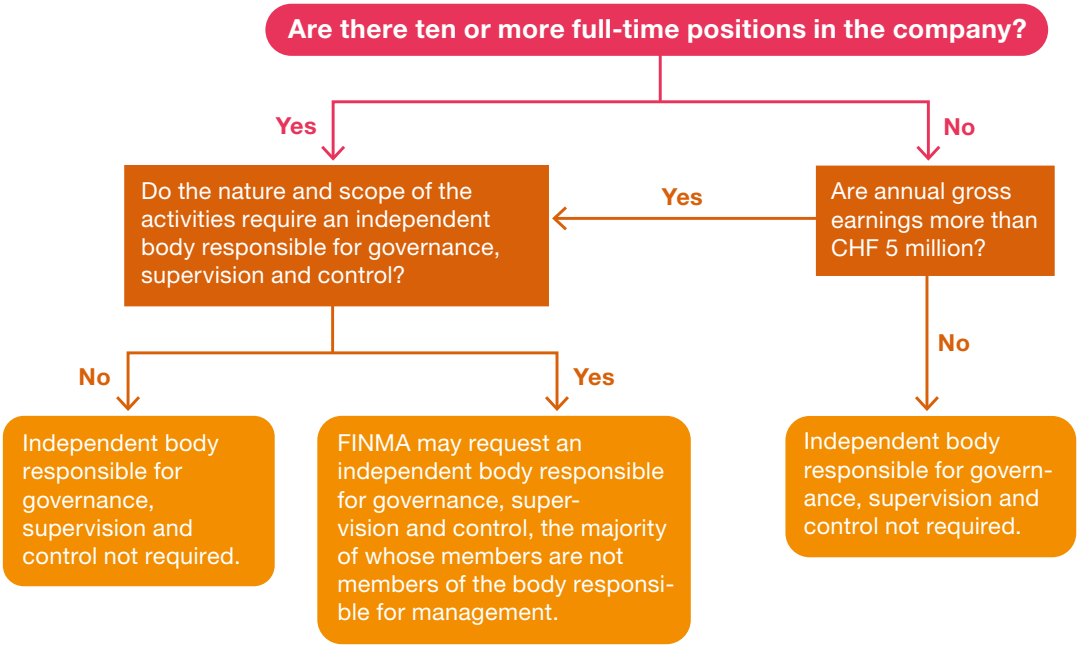
2.2.4.1. Management structure

As a general rule, financial institutions need to establish a two-tiered management structure, where the executive management is separated from the body responsible for governance, supervision and control. However, portfolio managers are exempted from this requirement. They therefore benefit from a less stringent regime than other financial institutions. In practice, this means that portfolio managers' management is allowed to carry out both overall supervision and the executive management functions.

However, FINMA has the power (optional provision) to impose a two-tiered management structure (i.e. a body responsible for governance, supervision and control, the majority of whose members are not also members of the management body) on a portfolio manager in two instances:

- the portfolio manager has ten or more full-time employees and the nature and type of the portfolio manager's business activity requires a two-tiered management structure; or
- the portfolio manager has annual gross earnings of more than CHF 5 million and the nature and type of the portfolio manager's business activity requires a two-tiered management structure.

Requirement of two-tiered management structure



In principle, a portfolio manager must have a management body consisting of at least two qualified persons. However, if the portfolio manager can prove that continuing business operations on a going-concern basis is guaranteed, the management body can be reduced to one qualified person.

The portfolio manager must be effectively managed from Switzerland and the persons entrusted with management must be resident in a place where they can effectively exercise such management.

2.2.4.1. Composition, qualification and experience of management

Portfolio managers must have two qualified individuals in management. This is understood as them being qualified to manage business operations. This is deemed to be the case if they have received appropriate training in the activities of a portfolio manager and they have had sufficient professional experience. Management must engage in regular continuing professional development to maintain the skills acquired. Further, the management body has to take necessary precautions to ensure the continuation of business operations if a qualified manager is prevented from acting.

Directors and managers must sign jointly to represent the portfolio manager and at least one of them must be physically present in Switzerland.

2.2.5 Guarantee of irreproachable business conduct

The portfolio manager and its management must provide for a guarantee of irreproachable business conduct (fit and proper test). Further, persons responsible for management must enjoy a good reputation. The good reputation is also required for qualified participants of the portfolio manager (holding directly or indirectly 10% or more of the portfolio manager or having other significant influence). The portfolio manager's envisaged activity, as well as the nature of the intended investments, must also be taken into account when assessing the good reputation and the guarantee of irreproachable business conduct.

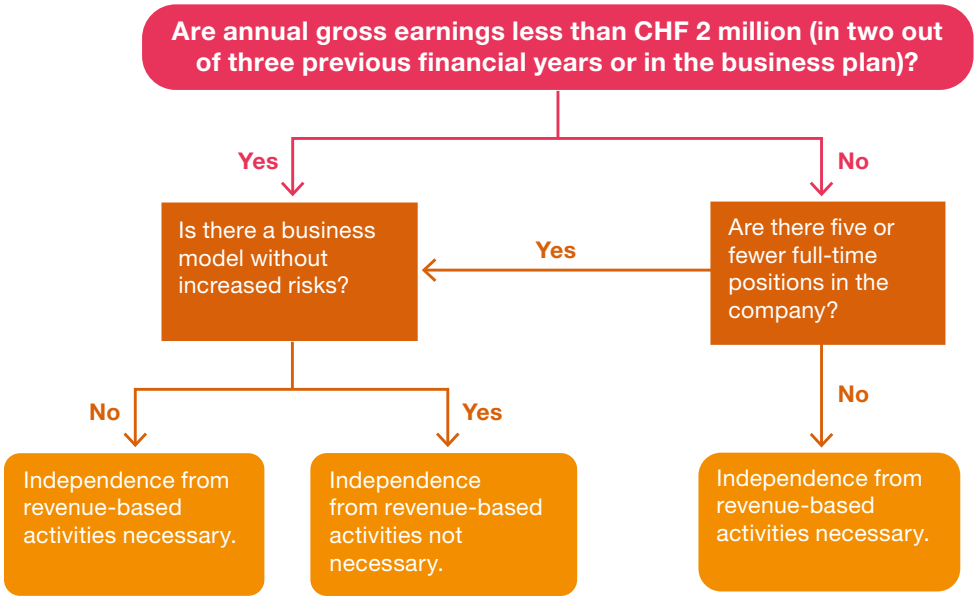
2.2.6 Risk management, internal control and internal audit

Portfolio managers shall implement effective risk management and internal controls suited to their business model and clearly define their risk tolerance.

Risk management and internal control (i.e. compliance) functions must either be carried out by a qualified member of the management, or by one or several qualified employees, or outsourced to a qualified external third party. These functions have to be independent of the portfolio manager's revenue-based activities. Persons entrusted with these functions are not allowed to be involved in the activities they supervise.

By contrast, small portfolio managers with business models without increased risks (i.e. portfolio managers who have annual gross earnings of less than CHF 2 million or have no more than five full-time employees and pursue a non-high-risk business model) are exempted from having to separate the risk management and internal control functions from the revenue-based activities.

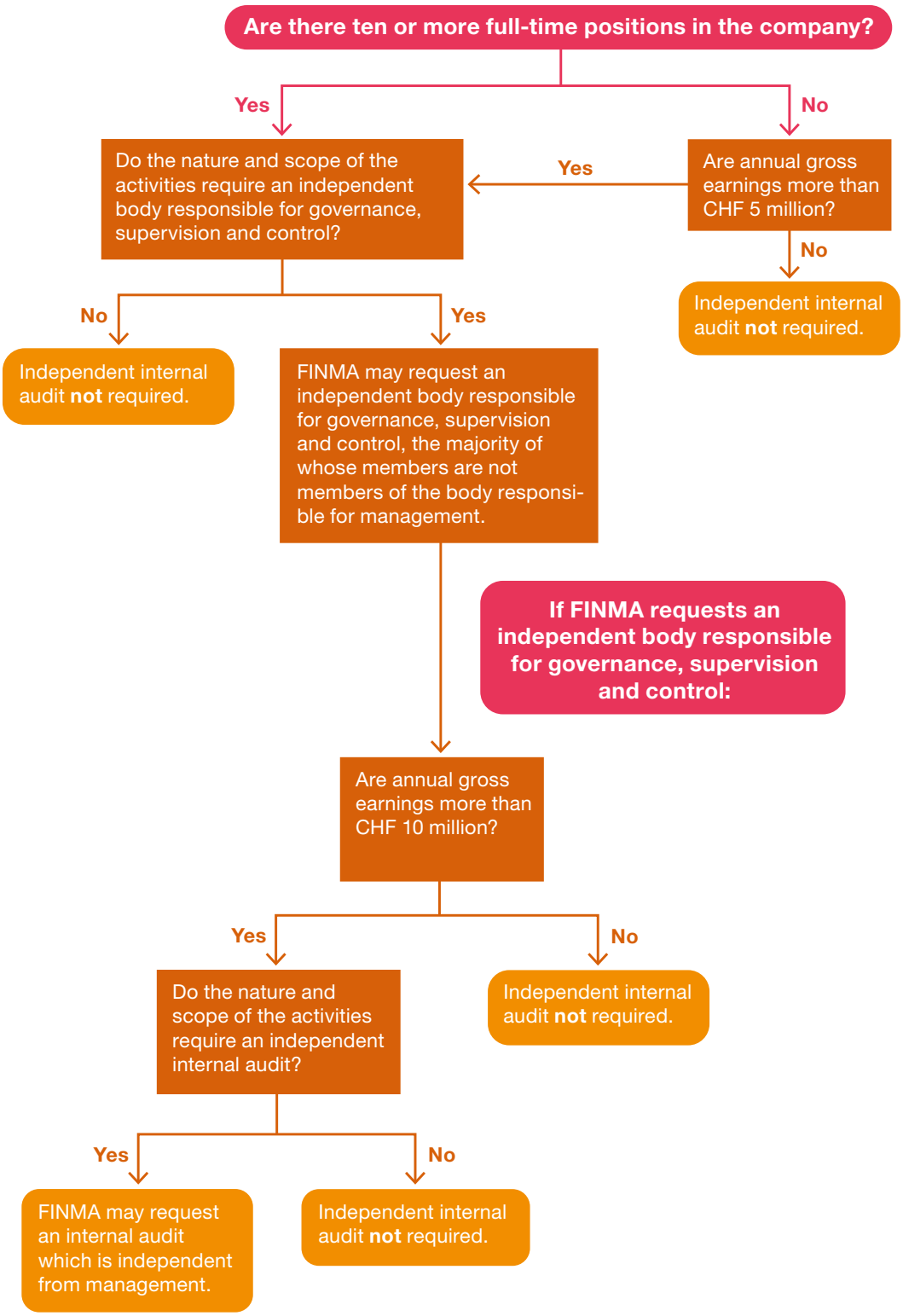
Independence of revenue-based activities



For larger portfolio managers, FINMA can impose that an independent internal audit function be appointed, if the portfolio manager has a separate board of directors independent from the executive management function as required by FINMA (see 2.2.4) and annual gross earnings of more than CHF 10 million. This may only be requested if the nature and scope of the portfolio manager's activity so dictates.

Portfolio managers can outsource their risk management, internal control and internal audit functions in accordance with the requirements described below.

Requirement of independent internal audit



2.2.7 Outsourcing/delegation of tasks

Portfolio managers may outsource tasks to external third-parties only if the third party has the necessary skills, knowledge and experience as well as the required authorisations to undertake such activities. Any activity that does not empty the structure from its substance can be outsourced. In addition, portfolio managers may only delegate tasks that do not need to be within the decision-making remit of the body responsible for management or for governance, supervision and control.

Further, outsourcing of tasks must not impair the appropriateness of the operational organisation. In particular, the operational organisation is no longer deemed to be appropriate if a portfolio manager:

- does not have the necessary personnel resources and specialist knowledge to select, instruct and monitor the third party and manage the associated risks; or
- does not have the necessary rights to issue instructions to or control the third party.

It is worth noting that the outsourcing of the investment decision to a person located in a foreign jurisdiction may be conditioned by FINMA on the existence of an agreement between the latter and the regulator of said jurisdiction on cooperation and exchange of information.

Even if tasks are outsourced to a service provider, the portfolio manager remains responsible for the fulfilment of supervisory duties and safeguarding clients' interests. Therefore, portfolio managers must instruct and supervise the appointed third parties carefully.

Portfolio managers have to set down the tasks delegated as well as details of the possibility of sub-delegation in their organisational principles. Delegation is to be defined and organised in a manner that enables the portfolio manager, its internal auditors, the audit firm, the supervisory organisation and FINMA to inspect and review the delegated tasks.

2.3 What does the authorisation process look like?

After submitting a notification to FINMA – which had to be done before the end of June 2020 – portfolio managers will have to affiliate to a supervisory organisation and an ombudsman office and file their application in accordance with the transitional period as defined below (see section 5 below). Filing an application entails structuring the portfolio manager's internal organisation, drafting the required organisational regulations and applicable internal policies, and gathering the required information and documents on the shareholders and members of management. Furthermore, proof must be provided of: fulfilling the requirements as described above; having taken out professional liability insurance coverage; meeting the minimum capital requirement; and having a sufficient own funds structure. Portfolio managers will also have to disclose the type of intended activities and their geographical scope, types of investments and underlying assets, as well as general information on clients and assets under management.

It is worth mentioning that portfolio managers do not need to appoint an auditor to review the FINMA application.

Once the application is filed, FINMA will initiate the application review process and revert to the portfolio manager either with additional questions or with a formal decision granting or declining the authorisation. From thereon and if authorisation is granted, the portfolio manager will have to implement the internal organisation and policies in order to start its activities.

2.4 What does the new supervisory concept look like?

2.4.1 The two-tiered supervisory regime

The supervision of portfolio managers is divided into two tiers.

First, FINMA is responsible for (i) ensuring portfolio managers fulfil the authorisation requirements at the outset by reviewing their authorisation application and delivering said authorisation and (ii) imposing measures to enforce supervisory laws. Second, the supervisory organisations are responsible for the ongoing day-to-day supervision of portfolio managers.

2.4.2 Supervisory organisations

As mentioned above, the supervisory organisations are entrusted with the daily prudential supervision of the portfolio managers. In their supervision role, supervisory organisations may conduct audits on the registered portfolio managers or alternatively request that they appoint an external auditor to conduct the regulatory audits. The supervisory organisations have the discretionary power to reduce the frequency of the portfolio managers' audit (to a maximum of one audit every four years), by applying a risk-based approach. During the years where no audit is conducted by the supervisory organisation, the portfolio managers must file a standardised internal report, confirming compliance with the law.

In the event of a portfolio manager violating supervisory law or acting incorrectly, the supervisory organisations are only permitted to invite the portfolio manager to address the situation within a given period of time. Supervisory organisations do not have any authority to undertake enforcement measures against portfolio managers. Should the latter not comply with the regulatory obligations, the supervisory organisations may only refer the case to FINMA.

2.4.3 FINMA

FINMA has the responsibility to conduct overall prudential supervision of regulated institutions and is the public authority responsible for enforcing supervisory law.

FINMA intervenes in two different modes. First, it carries out supervisory activities consisting of informal discussions with regulated institutions and, second, if it finds out or is informed that there has been an infringement of supervisory law, FINMA carries out enforcement procedures in order to restore compliance with the supervisory law. FINMA enforcement procedures target the regulated institutions as well as, where applicable, individuals responsible for the infringement. To this end, FINMA has a comprehensive set of tools at its disposal to carry out its mandate.

3 The new rules of conduct under FinSA

FinSA places a series of rules of conduct on financial service providers, which must be complied with when providing financial services. These rules of conduct address, among other topics, client segmentation, duties of disclosure, duties to perform suitability and appropriateness tests, duties of documentation and accountability and duties of transparency and due diligence. Different organisational rules further serve to ensure implementation of the rules of conduct (for example, provisions on the avoidance of conflicts of interest, staff and involvement of third parties).

3.1 Client segmentation

Many of the FinSA duties and organisational requirements refer to various client categories and vary depending on the category. Those categories are: professional clients, institutional clients and retail clients (those who do not qualify as either professional or institutional clients).

Institutional clients are defined as a subgroup of the professional clients. This pertains to the group of professional clients who, based on their experience and qualifications, operate on a par with financial service providers and do not need the level of protection envisaged for other professional clients.

Professional clients

- Financial intermediaries according to the Swiss Banking Act, FinIA and the revised Collective Investment Schemes Act
- Insurance companies as per the Swiss Insurance Supervision Act
- Foreign clients under prudential supervision
- Central banks
- Public entities with professional treasury operations
- Pension schemes and institutions established for the purpose of providing occupational pension plans, with professional treasury operations
- Companies with professional treasury operations
- Large companies
- Private investment vehicles established for wealthy retail clients, with professional treasury operations

Institutional clients

- Financial intermediaries as per the Swiss Banking Act, FinIA (and revised Collective Investment Schemes Act)
- Insurance companies as per the Swiss Insurance Supervision Act
- Foreign clients under prudential supervision
- Central banks
- National and supranational public entities with professional treasury

It should be noted that companies within a group structure are not considered to be a client of another. As a result, how they qualify under FinSA is not relevant.

Subject to certain conditions, clients can voluntarily opt for a different classification and thus another level of protection. High net-worth retail clients can declare in writing that they wish to be deemed professional clients and thus opt out of the high level of protection afforded to retail clients. Similarly, professional clients can opt out and ask to be considered as institutional clients.
Conversely, FinSA also provides for the possibility of opting in. Professional clients, who are not institutional clients, can declare that they wish to be treated as retail clients. Financial service providers must inform non-retail clients of the possibility of opting in.
Formally, the change of segments must be made by a declaration by the client in writing or any other verifiable form of text, such as email. The declaration applies equally to all business conducted by the client with the financial service provider.
Financial service providers can opt out of client segmentation if they treat all clients as retail clients.

Consequences:

Professional clients under FinSA can generally be understood as “qualified investors” under the Collective Investment Schemes Act. To maintain this consistency the revised Collective Investment Schemes Act will refer to the definition of a professional client pursuant to FinSA for its definition of a qualified investor. However, the two definitions do not match in their entirety. In particular, according to the revised Collective Investment Schemes Act, investors who have concluded a discretionary management agreement (and now also: an investment advisory agreement) with a financial intermediary subject to prudential supervision will be deemed qualified investors pursuant to the revised Collective Investment Schemes Act but are not deemed professional clients as defined by FinSA. This is also applicable to retail clients with a written portfolio management agreement, as they will be considered qualified investors. Hence, these retail clients benefit from FinSA protection (e.g. suitability assessment and others), whereas the asset manager can – depending on the agreement with the client – use collective investment schemes in the portfolio that are eligible for qualified investors only.

3.2 Required knowledge

FinSA requires portfolio managers' client advisers to have sufficient knowledge of the code of conduct set out in FinSA and the necessary expertise required to perform their activities.

3.3 Code of conduct

As well as the organisational requirements, FinSA also determines certain code of conduct obligations for portfolio managers, which they have to follow when providing financial services. They include a duty to inform clients, appropriateness and suitability reviews, documentation and rendering of account duties, as well as transparency and care requirements when handling client orders.

3.3.1 Duty to inform, document and render accounts

Before entering into an agreement with their clients or before providing any services, portfolio managers have a duty to provide information to their clients. Some of this information is of a general nature, such as their name and address, their field of activity and supervisory status, the possibility to initiate mediation proceedings before a recognised ombudsman and the general risks associated with financial instruments. Other information to be provided is more related to the financial service itself. In this context, portfolio managers must inform their clients about the following:

- personally recommended financial service and the associated risks and costs;
- business affiliations with third parties in connection with the financial service offered; and
- the market offer taken into account in the selection of financial instruments.

In general, when recommending financial instruments for which a prospectus or key information document must be established, that documentation must be provided to the (retail) client.

In connection with the information duty, the portfolio manager must document its interaction with its clients as follows:

- the financial services agreed with clients and the information collected about them;
- the information that no suitability and appropriateness test has been performed due to the existence of an exception or the fact that they have advised the client against using the service on the basis of the assessment result after the assessment has been performed;
- the financial services rendered to the clients;
- when providing investment advice, the clients' needs and grounds for each recommendation leading to the acquisition or disposal of a financial instrument.

Upon request, portfolio managers must be able to render account of the documented content (see above), the agreed and rendered financial services and the composition, valuation and development of the portfolio.

3.3.2 Suitability and appropriateness assessment

According to FinSA, portfolio managers will have to assess the suitability or appropriateness of the investment advice or portfolio management services before providing them to their client. This excludes situations where clients' orders are only executed or transmitted.

When investment advice is provided for an individual transaction without taking into account the entire client portfolio, portfolio managers must enquire about the client's knowledge and experience and verify that the financial instruments proposed are appropriate.

When providing investment advice that takes into account the entire portfolio or when providing portfolio management services, the portfolio manager must, in addition to the client's knowledge and experience, enquire about its financial situation and investment objectives. This includes the nature and amount of the client's regular income, its assets and current future financial obligations. Investment objectives, including time frame, purpose of the investment, as well as capacity and willingness to take on risks, must also be taken into account.

Professional clients are expected to have sufficient knowledge and experience and to be able to bear the risks associated with the financial service.

If the information received does not allow for a full assessment of the appropriateness or suitability, the client must be informed accordingly.

In case a service is found not to be suitable or appropriate, portfolio managers can advise clients against it, but clients can still choose to go ahead with it (see item 3.3.1 above).

3.3.3 Transparency and duty of care in handling client orders

When handling client orders, portfolio managers have to ensure that principles of good faith and equal treatment are respected.

When performing execution-only mandates, the client's order must be executed in a manner where the best possible outcome is achieved for the client in terms of cost, timing and quality. Cost considerations should also include compensation received from third parties. More specifically, client orders must be registered and allocated immediately and correctly. Comparable client orders must be executed in the sequence in which they are received, unless objectively not in the interest of the client given the nature of the order or the market condition.

3.4 Organisation

Portfolio managers must ensure that the FinSA duties are fulfilled and there is an appropriate organisational set-up. This is reflected in the regulation of conflicts of interest, staff requirements and involvement of third parties, among others.

3.4.1 Conflicts of interest

3.4.1.1 General

Portfolio managers have to prevent conflicts of interest that could arise in the provision of financial services to the detriment of their clients. If disadvantages for clients cannot be excluded, this must be disclosed to them (referred to as "comply or explain").

First, portfolio managers must be organised in a way that allows conflicts of interest to be identified and, if unavoidable, monitored. Organisation and management of staff must be separated insofar as their activities could result in a conflict of interest between clients or between clients' interests and those of the portfolio manager. The remuneration system, including variable remuneration, should not create incentives to act in a manner detrimental to clients. To this end, internal directives must be issued and regularly reviewed.

Second, portfolio managers have a duty to provide their clients with information on their business associations with third parties if such associations may lead to a conflict of interest. The information to be provided includes the circumstances causing the conflict of interest, the resulting risk for the client and the precautions taken to reduce that risk.

3.4.1.2 Inducement/compensation from third parties

In line with the "comply or explain" principle, when handling conflicts of interests, respective principles are set out expressis verbis relating to compensation from third parties for rendering financial services (so-called "retrocessions").

Portfolio managers have to inform their clients of compensation from third parties that are associated with the provision of their financial services. Such compensation includes all payments associated with the provision of the financial service such as brokerage fee, commissions, discounts and other financial benefits. The required information includes the type and scope of the compensation and must be given before the provision of the service or before entering into an agreement. If the exact amount cannot be determined in advance, parameters and ranges of calculation have to be provided.

It is important to note that compensation received from companies of the same group are also considered to be received "from third parties".

4 Impact on cross-border activities

One of the key changes the new set of laws brought is the subjection of cross-border activities to prudential supervision, and hence compliance with foreign regulation. From now on, portfolio managers willing to undertake cross-border activities will have to notify FINMA beforehand. The geographical areas will have to be integrated in their organisational principles and the cross-border activities be commensurate with their financial possibilities as well as with their operational organisation. FINMA will assess the reputational risk by analysing whether the portfolio manager has the capacity to monitor and ensure compliance of its cross-border activities with the applicable foreign regulation.

As carrying out cross-border activities in the European Union on a permanent basis without having a presence in the targeted countries is becoming more and more difficult, portfolio managers will need to carefully assess the whether to carry out such activities, especially since the establishment of a foreign subsidiary, branch or representation is subject to prior notification to FINMA.

5 Entry into force and transitional period

5.1 FinIA entry into force and transitional periods

Even though FinIA entered into force on 1 January 2020, extensive transitional periods apply to portfolio managers. Depending on when they started their activities, different transitional periods may apply. The following sections provide insights into the different scenarios.

5.1.1 Portfolio managers having started their activities prior to 1 January 2020

Portfolio managers benefit from a three-year transitional period – starting from the entry into force of FinIA – to comply with FinIA requirements. In the meantime, portfolio managers can continue their activities until FINMA has made a decision regarding their authorisation application. Portfolio managers must, however, continue to be affiliated to an self-regulatory organisation in compliance with the anti-money laundering requirements.

5.1.2 Portfolio managers starting their activities between 1 January 2020 and 31 December 2020

Portfolio managers that assume their activity between 1 January and 31 December 2020 must report immediately to FINMA and after assuming their activity must satisfy authorisation conditions. They must affiliate themselves with a supervisory organisation no later than one year after FINMA has authorised the supervisory organisation, and submit an application for authorisation. They may perform their activity until a decision has been made concerning authorisation, provided that they are affiliated to a self-regulatory organisation and are supervised by said organisation with regard to compliance with the corresponding duties.

5.1.3 Portfolio managers starting their activities after 31 December 2020

Portfolio managers starting their activities on or after 1 January 2021 may only carry out their activities once they have been granted authorisation by FINMA. Being fully authorised by FINMA and duly affiliated to a supervisory organisation is a prerequisite to being able to start their activities.

5.2 FinSA entry into force and transitional periods

FinSA entered into force on 1 January 2020. In general, it allows for a two-year transitional period for many duties (client segmentation, required knowledge, etc.), with the exception of the following.

Code of Conduct: Portfolio managers have until 1 January 2022 to comply with this set of duties or may alternatively decide to comply before, provided they inform their auditor irrevocably and in writing, indicating the chosen date on which these new rules shall apply to them. Until then, the former rules continue to apply to them.

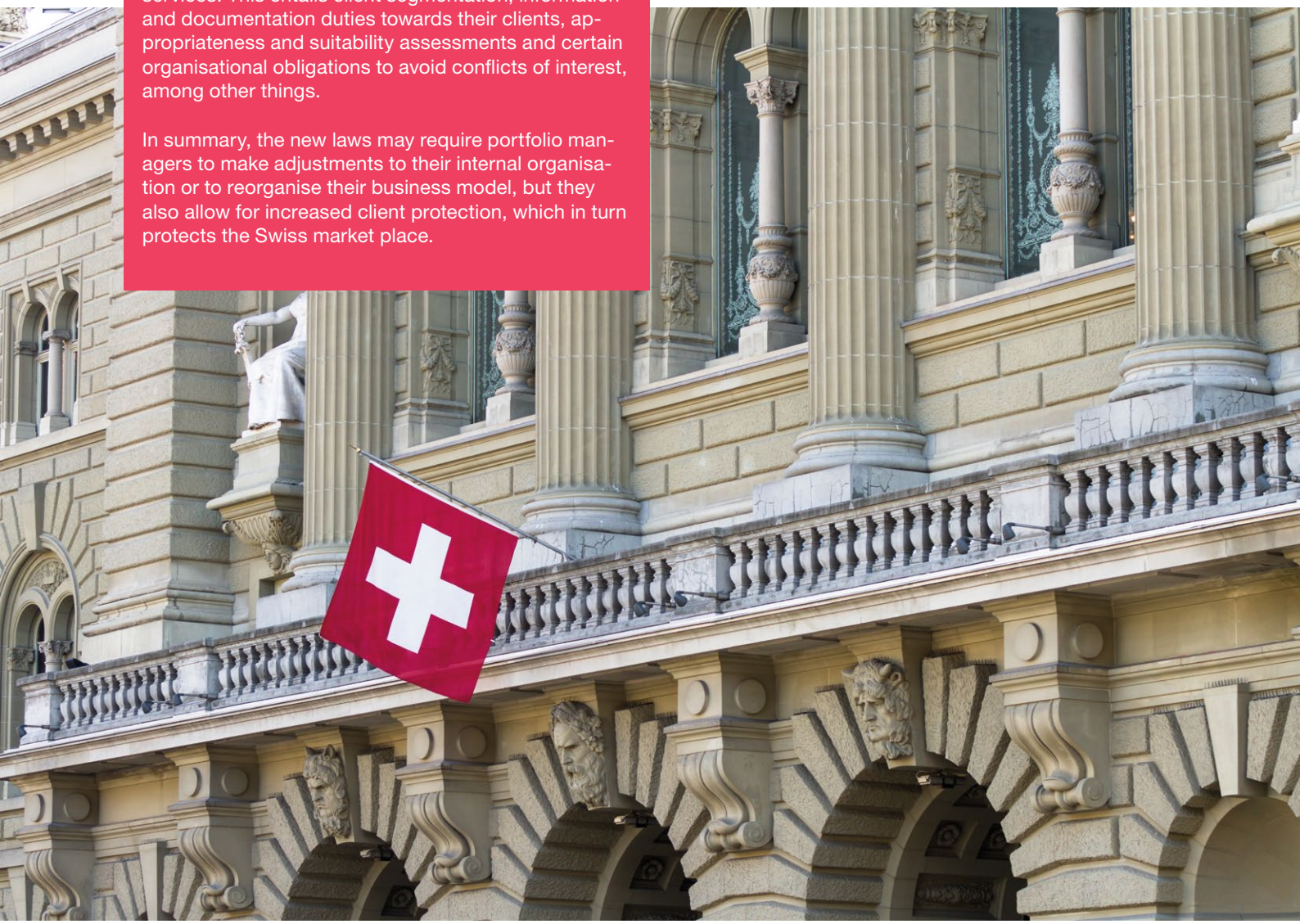
6 Conclusion

The new set of laws have quite a substantially impact on portfolio managers. They may need to make some adjustments to their existing structure and on how they conduct their activities.

There is, on one side, the new authorisation requirement, which will create a level playing field for portfolio managers, while leaving some flexibility in certain areas based on their size. In all cases, portfolio managers will have to document their business activities, be organised in accordance with certain requirements and have installed a risk management and internal control mechanism.

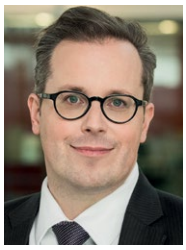
On the other side, portfolio managers will have to ensure compliance with FinSA for the offering of financial services. This entails client segmentation, information and documentation duties towards their clients, appropriateness and suitability assessments and certain organisational obligations to avoid conflicts of interest, among other things.

In summary, the new laws may require portfolio managers to make adjustments to their internal organisation or to reorganise their business model, but they also allow for increased client protection, which in turn protects the Swiss market place.



Contacts

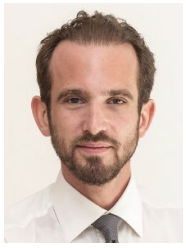
For more information please contact our experts



Dr. Günther Dobrauz
Partner, Leader
Legal, PwC Switzerland
guenther.dobrauz@ch.pwc.com
+41 58 792 14 97

Dr. Jean-Claude Spillmann
Director, Head Asset & Wealth Management
and Banking Regulatory
Legal, PwC Switzerland
jean-claude.spillmann@ch.pwc.com
+41 58 792 43 94

Switzerland West



Adrien Tharin
Senior Manager, Asset & Wealth
Management and Banking Regulatory
Legal, PwC Switzerland
adrien.tharin@ch.pwc.com
+41 58 792 92 24

Leandro Lepori
Manager, Asset & Wealth Management
and Banking Regulatory
Legal, PwC Switzerland
leandro.lepori@ch.pwc.com
+41 58 792 98 45

Switzerland East

Thomas Schwyter
Senior Manager, Asset & Wealth
Management and Banking Regulatory
Legal, PwC Switzerland
thomas.schwyter@ch.pwc.com
+41 58 792 24 14

Barbara Gallati
Manager, Asset & Wealth Management
and Banking Regulatory
Legal, PwC Switzerland
barbara.gallati@ch.pwc.com
+41 58 792 40 22

PwC, Birchstrasse 160, 8050 Zurich, +41 58 792 44 00