Leaflet minimum content of conflict of interest directives for financial institutions according to Art. 17 FinIA

1. General remarks

All financial institutions shall be appropriately organized in accordance with the Federal Act on Financial Institutions FinIA. In this regard, the supervisory organizations and the Swiss Financial Market Supervisory Authority particularly check that the financial institution set up comprehensive and appropriate directives concerning its planned and performed activities which comprise all possible risks, conflicts and obligations within the meaning of the Financial Services Act FinSA.

This particularly include directives concerning potential conflicts of interest. It shall be set forth that conflicts of interest are defined and identified and how they are to be dealt with. Be it with regard to the activity, client base, financial instruments and strategies used as well as company organization and its personnel.

This leaflet is not exhaustive but lists all aspects which usually need to be laid down and reflect the minimum content from OSFINcontrol Ltd.'s perspective. The way in which possible conflicts of interest are resolved may vary. OSFINcontrol Ltd reviews compliance with above-mentioned aspects on the occasion of the (preliminary) affiliation as well as in the context of the ongoing supervision. Conflict of interest directives also form a mandatory document for approval by the Swiss Financial Market Supervisory Authority FINMA.

2. Content of directives

	Subjects to be addressed	Remarks
1.	Objective / basics / target	The directives shall initially describe the subject area. The aim is to describe what is regulated by the directives: - Understanding of what qualifies as conflict of interest - Ability to identify and address the same by the employees concerned - Clarity on how to deal with a conflict of interest Furthermore, the directives must reference their relevant, underlying principles (namely Art. 25 et. seq. FinSA). Finally, it shall be clarified to whom the directives do apply (usually to all employees of the financial institution, including its highest governing body).
2.	Understanding of what qualifies as conflict of interest, organizational precautions	The directives shall define what is considered as a (possible) conflict of interest by the financial institution. As a result, it shall be stated to what extent legal, financial, reputational and/or other conflicts may arise for the financial institution (and its employees concerned) from the defined conflict of interest. The aim is to enable employees to independently identify a possible

		conflict of interest in any conceivable situation and, thanks to the directives, to know, at least to some extent, how to behave. They shall also specify and determine to what extent the financial institution has taken organizational precautions to avoid conflicts of interest or client disadvantage caused by conflicts of interest or – if conflicts of interest are not avoidable – to disclose the same (cf. Art. 25 FinSA and Art. 25 FinSO)
3.	List of possible conflicts of interest	Possible conflicts of interest may vary based on the size, business activity, client base, head count, etc. It is advisable to add a non-exhaustive list to the directives. This particularly enables anticipation of future, not yet listed situations or capture thereof by the directives. Concrete conflicts of interests may include the following examples (cf. also Art. 24 and 27 et. seq. FinSO): - With regard to the execution of orders (keyword «best execution»), all customers shall be treated equally - (Third party) compensations: these include incentives in connection with the use of certain financial instruments from selected issuers (kick-backs, retrocessions) in particular but also performance-related incentives for employees which may influence their work - Proprietary trading (no disadvantage / worse treatment of clients compared to transactions in one's own name or for own account) - Staff transactions - Sanction/prohibition/watch lists: official or internal lists which prohibit certain transactions, investment instruments or possibly business with certain counterparties
4.	Dealing with conflicts of interest	The directives shall describe how to proceed in case of a conflict of interest. These should also apply to scenarios not explicitly listed – thus possible conflicts of interest not yet listed but identified by employees. In particular, it must be specified, to whom within the organization an identified conflict of interest as well as the resulting conflict situation needs to be reported (escalation process). Based on the organization and description of the conflict of interest, the directives contain specific instructions on how to resolve the same or prescribes the escalation and assessment of the situation by a higher ranking body from the beginning. *Note: there are situations and constellations under which not all conflicts of interest are avoidable. Provisions must be made on how to address and disclose (in particular towards clients) conflicts of interest under such circumstances.*
5.	Duty of documentation/disclosure	In case of conflict, the same must be comprehensively documented and disclosed (cf. Art. 28 FinSO). Both the identification of the same as well as any measures taken after the conflict of interest has been identified shall be recorded. Finally, it shall be determined to what extent the conflict of interest is to be disclosed. In case of any doubt, comprehensive disclosure to the affected clients is recommended (cf. Art. 26 FinSO).

		Documentation must be reviewed regularly by the superior and the person responsible for risk and compliance.