FinSA information brochure

Introduction

Aiming to strengthen investor protection and to establish comparable standards for financial service providers, the Swiss Financial Services Act (FinSA) entered into force on 1 January 2020 establishing different obligations for financial services providers.

In accordance, we want to provide you with some important information.

General Information about BBVA SA (the "Bank or BBVA in Switzerland")

BBVA SA has been licensed to operate as a banking institution under Swiss law since 1974 and is headquartered in Zurich. It is registered in the Commercial Register of Zurich (Registration Number CHE-103.151.630) and is subject to the supervision of the Swiss Financial Market Supervisory Authority (FINMA) Laupenstrasse 27, 3003 Bern, Switzerland, telephone +41 31 327 91 00, fax +41 31327 91 01, e-mail info@finma.ch.

The Bank's registered and head office is as follows: BBVA SA, Selnaustrasse 32/36, 8001 Zurich, Switzerland.

The Bank is a member of the Swiss Banking Association and of Esisuisse, an association for the protection of Client funds. Esisuisse is an association founded in 2005, which guarantees customer deposits up to a certain amount in the event of compulsory liquidation or the imposition of protective measures. The coverage offered and other relevant aspects are described on its website www.esisuisse.ch.

Additional information on the Bank's organization and structure is contained in our annual report, which is published on our website www.bbva.ch.

Clients can send any suggestions or complaints to informationBBVA@bbva.ch.

Should the Bank and the Client be unable to find an amicable solution to a complaint, Clients may contact the Swiss Banking Ombudsman, who offers free and neutral information and mediation at the following address: Swiss Banking Ombudsman, Bahnhofplatz 9, P.O. Box, 8021 Zurich.

Financial Services

FinSA states that any of the following activities performed for Clients shall be considered a financial service:

- Acquisition and disposal of financial instruments;
- Receipt and transmission of orders in relation to financial instruments;
- Administration of financial instruments (portfolio management);
- Provision of personal recommendations on transactions with financial instruments (investment advice);
- Granting loans to finance transactions with financial instruments.

Client Classification

FinSA requires financial service providers to classify their clients as Private, Professional and Institutional clients, assigning them a different level of protection that will determine how the Bank must fulfill its obligations, in terms of providing documentation and obtaining information to analyse the suitability or appropriateness of transactions, among others.

Clients are classified as:

Private Clients (also called retail clients): They have the highest level of protection and receive the most complete information about the risks of the products and services before the Bank provides them with financial services. Being classified as a Private client also implies that they will have access to a limited or targeted range of products for this type of client.

The Bank will consider and treat clients as Private clients unless they have the status of a Per se Professional or have requested in writing to the Bank that they wish to be regarded as an Opting Out Professional client by signing the document called "QIN."

Professional Clients: These clients have a lower level of protection, and, therefore, the Bank is not obliged to provide information about the risks of products and services before providing the financial service. They have access to a wider range of products than private clients.

In the provision of services, the Bank may presume that:

- They have the knowledge and experience necessary to understand the risks and characteristics associated with financial instruments and transactions.
- They have the financial capacity to assume the risks associated with the investments.
- They intend to assume the risk associated with financial instruments according to their investment profile and strategy.

In addition, the Bank is only required to provide them with the KID (Key Information Document) when purchasing financial instruments when requested by the client.

FinSA distinguishes the following categories of Professional Clients:

Per-se Professional Clients, which would be as follows:

a) Financial intermediaries, as defined in the Banking Act of November 8, 1934 (BankG), the Financial Institutions Act of June 15, 2018 (FINIG) and the CISA.

b) Insurance companies, as defined in the VAG.

c) Foreign clients subject to prudential supervision such as the persons listed in the preceding paragraphs.

d) Central banks.

e) Public entities with professional treasury operations.

f) Occupational pension plans and entities serving the purpose of occupational pension plans with professional treasury operations.

g) Companies with professional treasury operations.

h) Large companies (those exceeding two of the following measures: balance sheet total of 20 million Swiss francs, turnover of 40 million Swiss francs or minimum capital of 2 million Swiss francs).

i) Professional treasury investment structures established for high net worth retail clients.

Opting out Professional Clients: these are private clients who expressly request to be treated as professionals; in our case, the client requests it in the document called "QIN." In this document clients request that the Bank treat them as a Professional client for complying with one of the following options:

a) Have at least CHF 500,000 worth of financial assets and, in addition, have the knowledge and experience to understand investment risks for one of the following reasons: i) on the basis of their training, education and professional experience, or ii) by comparable experience in the financial sector.

b) Have financial assets of at least CHF 2 million.

Clients domiciled in a member state of the European Union will only be considered a "Professional Client" if they meet the requirements indicated in the first option. The knowledge and experience criterion will be considered as met if the client has carried out at least 10 transactions of significant volume per quarter in the last four quarters or if the client works or has worked in the financial sector for at least one year in a position that requires relevant experience.

Opting-out Professional Clients may, at any time, decide to return to being considered as Private Clients by notifying the Bank in writing in advance.

Opting in Professional Clients: there are professional clients who are not considered institutional clients and request in writing to be treated as private clients.

Clients classified as Professionals by FinSA will be considered "Qualified Investors" in accordance with the Swiss Law on Collective Investment Institutions (CISA), therefore, they are authorized to acquire financial instruments reserved for Qualified Investors.

Institutional Clients: These are clients who have the maximum knowledge, experience and financial capacity. Institutional clients are professional clients as defined in the previous letters a to d; financial intermediaries, insurance companies, central banks, national and supranational public entities with professional treasury operations, etc.

Swiss and foreign collective investment schemes, their management companies and the professional clients defined in letters f and g may request to be treated as institutional clients. In this case, the client must request this in writing or this classification will be included directly in the account agreement.

Financial services provided by BBVA in Switzerland and its obligations

FinSA establishes the Bank's obligation to obtain different levels of information about Clients when providing financial services. In particular, when providing advisory and portfolio management services, the Bank must obtain the necessary information on knowledge and experience, as well as on their financial situation and ability to bear losses. For this purpose, the Bank has prepared a document called "Investor Profile" (PDI), which all Clients who wish to receive such services must complete.

The provision of these financial services shall be subject to such contractual and documentary terms and conditions as the Bank may determine for such services.

1. Execution-only service:

The acquisition and disposal of financial instruments is made by the Client on his/her own initiative, the Bank acting as a mere intermediary in executing the Client's instruction.

In order to provide this service, the Bank is not obliged to check whether the Client has knowledge and/or experience in the family of the financial instrument on which the Client instructs, but to analyze his/her financial situation.

The Bank informs the Client that the Bank is not obliged to perform a suitability test (S-Test).

The Bank, when providing this service to Clients domiciled in the EU for complex products, may check whether the Client has prior knowledge and experience in the family of financial instruments on which the Client is instructing. In the event that the Bank does not have sufficient information or the Client does not have prior knowledge and experience, it will inform the Client of this circumstance so that the Client may decide whether he/she wishes to continue with the instruction.

2. One-off advice or advice on individual investment transactions:

This is an advisory service for individual investment transactions.

In this case, the Bank will not take into account the Client's entire account or portfolio but will carry out an appropriateness test (A-Test) thereby checking, before recommending a specific product, if the Client has knowledge and/or experience of that product.

These recommendations may be made at the Client's request or at the Bank's own initiative. In this service BBVA in Switzerland does not follow up on the recommended investments or make subsequent proposals on them.

3. Recurrent or portfolio advice:

BBVA in Switzerland provides a recurrent or portfolio advisory service. In addition collecting all necessary information on the PDI, a written advisory contract is formalized between the Client and the Bank and a global or specific risk profile is set for each of the Client's portfolio. In this case, the Bank will take into consideration the Client's entire portfolio and will carry out two different evaluations. Firstly, it will carry out an appropriateness test (A-Test) by means of which it will check that you have knowledge and/or experience of the specific product to be recommended. Secondly, the Bank will perform a suitability test (S-Test) by which it will check that your portfolio, including the product to be recommended, matches your overall or specific risk profile.

The Bank provides investment recommendations on a periodic basis and also monitors the performance of the portfolio on a periodic basis.

4. Portfolio management services:

BBVA in Switzerland provides the investment portfolio management service, in this case, in addition to the PDI, a management contract is formalized with the Client by which the Client grants a management mandate for the Bank to make investment decisions on his/her behalf following the restrictions or profile previously agreed upon. The Bank will make the investment decisions taking into account that the investments made are in accordance with the risk profile and restrictions previously agreed upon.

Product Universe

For the provision of advisory and portfolio management services, the Bank selects a wide range of products including products from entities of the BBVA Group as well as products from a large number of carefully selected third party providers.

BBVA in Switzerland will provide or make available to you, where FinSA so requires, information on the products, e.g. "Risks of Transactions in Financial Instruments" brochure, key information documents or factsheets.

Best Execution

The Bank has established a Best Execution Policy which sets out the framework for taking all necessary steps to obtain the best possible result when executing orders on behalf of its Clients. A summary of this Policy is made available to Clients with the account opening documentation, and is communicated when any changes are made. Clients may at any time contact their Relationship Manager to obtain a copy.

The measures adopted by the Bank in this respect are aimed at consistently obtaining the best possible result for Clients, without implying an obligation for the Bank to obtain the result for each and every order executed it must be taken into account that the result may not always consist of obtaining the best price, but requires further evaluation of different aspects such as the costs associated with the execution, the probability of execution and settlement or the volume of the order.

At least once a year, the Bank reviews the effectiveness and application of its Best Execution Policy in order to detect and, if necessary, correct any deviation in its application.

Conflicts of Interest

In order to prevent and manage any potential conflicts of interest that may arise from the Bank's activity, the Bank has adopted a policy for the prevention and management of conflicts of interest. A summary of the Policy is made available to the Clients with the account opening documentation and every time the Policy is subject to changes. Clients may also request a copy of the summary by contacting their Relationship Manager.

The Policy includes, in a non-exhaustive manner, a list of examples of certain situations of potential conflicts of interest that could cause a significant risk of harm to the interests of one or more Clients. A procedure has been defined for the remaining situations in which a set of measures for their prevention and adequate management is put in place.

Ultimately, when the measures put in place to manage a specific conflict of interest are not sufficient to ensure, with reasonable certainty, that the risk of harm to the Client's interests can be prevented, the Bank will disclose the general nature or origin of the conflict of interest before acting on its own behalf, so that the Client can make the decision they deem most appropriate with respect to the service offered or provided.

Compensation

As part of its commercial operations, the Bank may receive payments or discounts - monetary or non-monetary benefits - from third parties (including other entities of the BBVA Group) for the distribution of products (investment funds, structured deposits, etc.) and provision of other financial services. Monetary benefits constitute compensation to the Bank for the distribution or management of various financial products, for the service provided by the Bank on behalf of a third party and is not remuneration for the Clients. Other benefits may consist of the receipt of market analyses and/or training for the Bank's staff.

This remuneration can create potential conflicts of interest by generating incentives to select or recommend products that result in remuneration or higher remuneration to the Bank in the first place.

The Bank has put in place appropriate measures, to support the Clients in making informed decisions, such as:

- making available to the Clients a wide range of products that are on the market, sufficiently diversified regarding types and issuers or providers;
- using the remuneration received by third parties to enhance the quality of the service provided, which may materialize for example in an annual appraisal monitoring of the suitability of the Client's portfolio or other value-added services such as optimal asset allocation or in tools to assist the Client in their decision-making to make the different products comparable or the provision of periodic reports to Clients concerning yields, costs and expenses;

The Bank receives such monetary or non-monetary benefits for the distribution of financial products, independently of the type of bank account or the financial service provided, where legally allowed.

Possible financial incentives are in general covered by the agreements reached between the Bank and the provider of a product, independently of the Bank's business relationship with its Clients and the service provided. These agreements include, besides the distribution of the products itself, other activities such as implementation of corporate actions or marketing.

The fact that the Bank receives monetary or non-monetary benefits from third parties has been considered in determining the applicable tariffs for the Bank's services. The Client therefore consents to the Bank receiving and retaining such remuneration.

The amount of compensation usually depends on the financial instrument itself, the provider, as well as the total amount invested in a specific financial instrument.

You can obtain more information in the document provided with the account opening documentation denominated "Remuneration for the distribution of products and other services", or by obtaining the same from your Relationship Manager.

Controls by the Bank

The Bank has established in its internal policies and procedures, the pre- and post-contractual controls, as well as the monitoring of operations so that the services indicated in this brochure are complied with in accordance with the provisions of the applicable regulations, such as, among others, the controls of A-test, S-test, etc.

Sustainability

Since the end of 2019 BBVA Group has established sustainability as a strategic priority. To this end, BBVA in Switzerland aims to offer our clients investments in line with their needs and taking into account their environmental (E), social (S) and governance (G) preferences (hereinafter "ESG") as well as the criteria for exclusions in controversial sectors when offering them recurring advisory services and discretionary portfolio management.

The financial risks associated with ESG are described in the document "Risks of transactions in financial instruments".

In order to comply with this commitment and with the obligations arising from the ESG Guidelines of the Swiss Banking Association and the FINMA Guidelines on Preventing and Combating Greenwashing, the Bank pursues the following sustainability strategies:

1. Integration of ESG factors

The Bank works with external ESG data providers and establishes its own rating to be taken into account when creating the various portfolios and investment strategies.

This information is included in our core banking data, defining the following variables for each assets:

- **ESG Rating**: financial instruments are classified in Rating A, B and C, with Rating A being those companies or governments with the best quality in terms of sustainability, Rating B companies or governments that maintain sustainability criteria and Rating C companies that are excluded from the investment process given that the risk based on the sustainability rating is very high. The Bank will not issue recommendations or make investments in financial instruments with Rating C in the advised and managed portfolios of clients who have indicated that they have preferences in terms of sustainability.
- **ESG score**: Each asset is assigned a weighting from to 10 in each of the three pillars E, S and G and in an aggregate ESG weight. The scores for these metrics are calculated by comparing the performance of a particular company against other companies in the same group, defined by activity. Those companies with a value of 1 have the worst performance within their category and 10 the best performance for the given peer universe.
- **Exclusions (sectors with controversies):** This takes into account the percentage share a company has in that activity, measured by the level of revenues it receives compared to the company's total revenues. In the case of equities this value corresponds to a percentage between 0% or 100% (0% being no participation and 100% being the maximum participation). In the case of underlying vehicles such as funds, ETFs, etc., the percentage of participation is valued on a scale between 0% and 100%, measured as the aggregate value of the companies participating in such a structure with participation in controversial sectors. BBVA in Switzerland offers the possibility for clients who have expressed preferences in sustainability to exclude the following sectors:

- *Weapons*: Includes the production of military aerospace and defense equipment, nuclear weapons, combat training, anti-personnel landmines or components of anti-personnel landmines, including improvised explosive devices (IEDs), chemical and biological weapons and all companies indirectly involved in any of these activities.
- *Tobacco*: Tobacco production includes companies that manufacture cigarettes and other tobacco products (cigars, snuff and pipe tobacco) and/or grow tobacco plants and tobacco participation takes into account whether the company is engaged in services or products related to tobacco production such as retailing or wholesaling of tobacco products (including supermarkets),specialized distribution, licensing, marketing and promotion of tobacco products, or production of acetate tow used in cigarette filters. Participation in another company producing tobacco is also included.
- *Fur*: Includes the production and/or sale of fur products, including enterprises that raise, trap or slaughter animals for their fur, as well as the sale of products made of or incorporating fur (coats, muffs, hats, stoles, home decoration, handicrafts, etc.). Luxury furs are also included.
- *Palm oil*: Includes the cultivation or extraction of oil from the pulp of the palm fruit or from the crushed kernel extract of the fruit. Companies that manufacture or sell products that use palm oil as an ingredient are not included.
- *Coal*: Includes coal exploration, as well as services relevant to coal production, such as equipment or contract drilling and coal extraction activities (surface and underground mines).

The above information will be monitored and updated on a regular basis. The Client will be informed in case of any changes with impact on the previously defined strategy.

2. Client Classification

The Bank will obtain information from Clients on their sustainability preferences in the PDI and define three categories accordingly:

- **Neutral Clients:** Clients who express no interest in the Bank taking sustainability preferences into account in the provision of its services.
- **Sustainable Clients:** Clients who have a medium interest in the consideration of sustainability criteria when investing.
- **Very sustainable Clients:** those customers who are very interested in the consideration of sustainability criteria and in sustainable investments.

Special cases:

Joint accounts: As sustainability preferences are collected per Client, when the account is jointly held and the account holders have expressed different preferences, the Bank will take into consideration the least restrictive criterion in terms of access to financial instruments in order to provide the relevant service. If the account holders do not agree with this criterion, they may change it by formalizing a specific document in which all account holders must instruct the Bank as to which sustainability preferences they wish to be taken into account for that account or portfolio.

Account Holders with more than one account or portfolio: If an Account Holder holds more than one account, the Bank will take into account the Account Holder's sustainability preferences for all accounts or portfolios. If the client wants the Bank to take into account different sustainability preferences in any of his/her accounts/portfolios, he/she must modify it by formalizing a specific document for that account/portfolio.

3. Financial instruments

The following financial instruments are included in this methodology:

- Equities
- ETFs
- Fixed income
- Funds
- Structured products
- Options

In the case of funds and other instruments such as ETFs or structured products, the rating and other ESG metrics correspond to the aggregate value of the companies that make up the underlying structure of the product.

Financial instruments without rating: If the rating provider does not provide an ESG rating for a financial instrument, the instrument will be considered unrated and the percentage of recommendation that the Bank may issue will be limited, and periodic monitoring will be carried out as defined in the different strategies.

4. Services

The Bank takes into account the sustainability preferences expressed by Clients when providing the following investment services:

a) **Recurrent or portfolio advice:** The Bank establishes a sustainability strategy by setting percentages on ratings, scores of financial instruments and exclusions according to Clients' preferences. More information on the strategy can be found in the specific document "How to determine your investment strategy". In addition, the Bank will apply the necessary controls to ensure that the investment meets the stated preferences. Financial objectives will prevail over sustainability objectives.

b) **Discretionary portfolio management services**: The Bank establishes a sustainability strategy for a certain number of its managed portfolios, setting percentages for ratings, financial instrument scores and exclusions. Further information on the strategy can be found in the Discretionary Management Agreement. The Bank will apply the necessary controls to ensure that the investment complies with the established percentages.