PolyReg General Self-Regulatory Organisation

Code of Professional Conduct

§1 Purpose of the Code of Professional Conduct

This Code of Professional Conduct for the purpose of art. 20 para. 2 and art. 3 para 2 letter c. number 2 CISA (Collective Investment Schemes Act) specifies the duties and rules of conduct of asset managers, who subject themselves to it without reservation in writing and who submit themselves to its systems of supervision and its sanctions. The Code of Professional Conduct is based on the FINMA circular 09/1 (Parameters of Asset Management) of 18 December 2008 and determines the principles which govern the practice of Asset Management.

§2 Scope

The Code of Professional Conduct applies to all Asset Managers who have subjected themselves to it, to their governing bodies, their executives and to those members of their staff whose functions include Asset Management.

§3 Guidelines

[1] Asset Managers are required to comply with this Code of Professional Conduct, the Statutes and with any instructions issued by this Organisation. In particular Asset Managers undertake:

a) to act at all times in accordance with the principle of good faith and to act exclusively in the interests of their clients;

b) to comply with the legal requirements applicable to their sector of business;

c) to inform their clients openly of this Code of Professional Conduct and the implications of it on the business relationship;

d) to document all business relations in accordance with commercial principles and retain such documents as required by law.

A. General Terms and Conditions

§4 Overview of the Duties of an Asset Manager

In detail, asset managers have the following duties:

a) duty to conclude a written Asset Management Contract pursuant to §§5–13;
b) duty to retain independence pursuant to §15;
c) duty of loyalty pursuant to §§14, 17–19;
d) duty of care pursuant to §§16, 20–22;
e) duty of information pursuant to §23;
f) duty of accountability pursuant to §§24–25, 27;
g) duty of documentation pursuant to §§3, 6, 17, 21.

B. Form of The Asset Management Contract

§5 Form Specifications

[1] The asset management contract shall be concluded in writing. It must be signed by both the principal and the assignee in their own hand.

[2] Signature of the Contract must also cover the General Terms and Conditions and all the Appendices to the contract.

[3] The asset management contract shall specify that changes to the contract must be in writing.

[4] The Asset Management Contract may contain a provision permitting the Asset Manager to adapt the risk profile and investment strategy to changing conditions either unilaterally or in verbal agreement with the client, providing that such changes limit risk exposure and that the client is informed in writing or receives written confirmation of any changes.

[5] The Asset Manager may use standard contracts.

§6 Verbal Instructions from the Client

[1] Unless the Asset Management Contract contains other provisions, subsequent verbal instructions by the client concerning the allocation of assets shall be permitted in individual cases.

[2] The Asset Manager shall record such instructions in a memorandum.

[3] If verbal instructions by a client result in deviation from the risk profile and the agreed investment policy, the Asset Manager shall notify the client thereof and record it in writing.

C. Content of the Asset Management Contract

§7 Power of Attorney

[1] The Asset Management Contract governs the duties and powers of the Asset Manager where a (limited) Power of Attorney for asset management is granted. For this purpose, it shall include a complete list of all the powers granted to the Asset Manager.

[2] The powers may also be derived from a Power of Attorney signed by the client and granted to the custodian bank, on condition that reference is made to this Power of Attorney in the Asset Management Contract.

[3] The Asset Management Contract shall contain a reference to this Code of Professional Conduct and the client shall confirm receipt of a copy of this Code by his signature.

§8 Client Risk Profile

[1] The Asset Management Contract shall define the client's risk profile either within the body of the contract itself or in an Appendix, to which the contract shall contain a reference.

[2] The client's risk profile shall comprise both his risk inclination (subjective component) and his risk capability from an objective point of view. The risk profile is established by the Asset Manager in cooperation with the client.

[3] The risk profile contains information on the client's financial situation, his income and his economic circumstances.

§9 Determination of the Investment Strategy

[1] Investment goals (investment strategy) and investment restrictions specific to each client are determined on the basis of the client's risk profile.

[2] The Asset Management Contract shall define the investment vehicles permissible given the risk profile and investment strategy of the client and determine their weighting within the managed assets. Relevant criteria for this are the type of investment vehicle, currency, credit-worthiness of debtors, diversification by sectors and geographical distribution.

[3] The Asset Management Contract shall protect the independence of the Asset Manager to select appropriate measures (allocation of assets) for the attainment of the investment goals agreed on with the client within the framework of the client's risk profile and the mutually agreed and contractually defined investment policy.

§10 Reference Currency

The Asset Management Contract shall define a reference currency on the basis of which the performance of the asset management shall be assessed.

§11 Engaging Third Parties

The Asset Manager may only delegate contractual tasks to third parties subject to the following conditions:

a) the Asset Management Contract makes explicit provision for the delegation of tasks to third parties. The delegated tasks must be clearly defined and recorded in writing;

b) the Asset Manager is held accountable to the client for due diligence in the selection, instruction and supervision of the third party;

c) the Asset Manager ensures that the provisions of the Code of Professional Conduct are always adhered to, despite the engagement of the services of a third party;

d) the duty of accountability to the principal may not be delegated.

§12 Accountability

[1] The Asset Management Contract shall stipulate the frequency of producing financial statements for the client and the form such statements shall take. The Asset Manager must abide by common practice in the sector concerned, but, at a minimum, must provide financial statements at least once a year.

[2] If the client does not wish to be contacted directly by the Asset Manager, statements should nevertheless be drawn up in accordance with the agreed deadlines; the Asset Manager must ensure that the client has access to these financial statements at all times. Agreements on such matters shall be recorded in the Asset Management Contract.

[3] The Asset Management Contract shall include provisions that ensure that the financial statements meet at least the following minimal requirements:

a) they provide an overview of the status of the managed assets on the cut-off date in the agreed reference currency;

b) they provide the client with information on the distribution of the assets on the cut-off date;

c) they provide the client with account statements from banks and custodians which will enable him to verify this information;

d) they provide information on the absolute performance of the managed assets during the reporting period;

e) they provide information on the performance of the managed assets as compared to an index or benchmark, insofar as the Asset Management Contract contains a definition of such index or benchmark;

f) they provide information about any payments due to the asset manager and to any third party engaged by the asset manager during the reporting period;

g) If stipulated in the Asset Management Contract or at the request of the client, the financial statements shall contain details on the amounts of fees to third parties (finder's fees, retrocessions) during the reporting period. Within the limitations of reasonable cost, these payments should be broken down individually by client and otherwise by statistical principles.

§13 Regulation of the Remuneration of the Asset Manager

[1] The Asset Management Contract shall contain details on the nature and amount of remuneration of the Asset Manager in terms which are easily understood by the client.

[2] A minimum of the following factors are to be regulated:

a) the basis for the calculation of remuneration of the Asset Manager (such as fixed fee per period, fee per time spent, volume of assets under management, share in profits above the high water mark) and the agreed rates. A combination of several types of remuneration is permissible.

b) the Asset Management Contract shall stipulate who is entitled to payments which the Asset Manager receives from third parties in connection with the mandate to manage the assets or whilst carrying out the mandate itself. If the Asset Manager is contractually entitled to all or some of these payments, he is duty bound to notify the client in writing of any conflicts of interest which could arise from the acceptance of payments from third parties and to inform the client — also in writing — about the method of calculation or the scope of such payments as he receives or could receive from third parties. Where possible, distinction is to be made between the various classes of products.

c) If the remuneration agreed on is based on the number of and/or the amount involved in transactions, the Asset Manager shall expressly make reference in the Asset Management Contract to conflicts of interest which result from this nature of remuneration and shall ensure that the client is informed of such transactions and the resulting remuneration on a monthly basis.

d) The Asset Management Contract shall contain regulations governing the timing and modalities of the payment of remuneration to the Asset Manager. If the Asset Manager is authorized to debit the client's account for his own remuneration, this must be explicitly recorded in the Asset Management Contract and it must be ensured that the client is informed immediately when any such transaction takes place.

[3] The client shall be notified in writing of the estimated total amount of remuneration relative to the assets entrusted to the Asset Manager.

[4] The client shall confirm with his signature that he has been informed of and understands the individual details as per paragraphs 2 and 3.

D. Duties of the Asset Manager

§14 Irreproachable Business Conduct

[1] The Asset Manager shall conduct his business in an irreproachable manner.

[2] He shall only accept mandates if he is in possession of the knowledge and experience relevant to them and if he has sufficient capacity.

[3] He shall only use investment vehicles if he has knowledge of them and is familiar with and able to assess their specific risks and rewards.

§15 Independence

[1] The Asset Manager shall act independently. He may not enter into either actual or legal relations with a third party which would allow the third party direct influence over the way in which he manages the assets of his client.

[2] He shall not enter into any exclusivity commitments which would curtail his freedom in the choice of service providers or investment vehicles whilst carrying out his mandates.

§16 Delegation

[1] The Asset Manager shall execute the mandate assigned to him by contract in person, with reservation as to the following exceptions:

[2] The Asset Manager may delegate asset management tasks to third parties only if this is in the interest of the client; such delegation must be made in compliance with the official provisions listed in §11 of this Code of Professional Conduct.

[3] The delegate must hold professional qualifications appropriate to the tasks delegated to him so as to ensure that the tasks are carried out with in an irreproachable manner.

[4] The Asset Manager shall select the delegate with great care, give him written instructions on the delegated tasks and provide him with relevant information on the client relationship insofar as such information is necessary for the execution of these tasks.

[5] The delegate shall adhere to rules of conduct which are comparable to the rules of conduct applicable to the Asset Manager.

[6] Fund managers authorized by FINMA must adhere to and comply with the provisions of the FINMA Circular Letter 08/37 „Delegation by Fund Management / SICAV“.

[7] The Asset Manager shall monitor the activities of the delegate continuously and with diligence; he shall take appropriate measures if he discovers deficiencies and shall periodically assess the suitability of the third party as a contractual partner.

[8] The delegate is not permitted to relegate the tasks and duties assigned to him by the Asset Manager to a further third party — with reservations to paragraph 6.

§17 Duty of Loyalty

[1] The Asset Manager shall act exclusively in the interests of his client.

[2] He shall take appropriate administrative measures to avoid conflicts of interest and to ensure that his client is not disadvantaged as a result of such conflicts of interest. The following preventative measures are to be taken:

a) remuneration of persons within the Asset Manager's organization who are entrusted with asset management tasks shall be constituted in such a way as to avoid incentives which could result in conflicts with the duty of loyalty;

b) employees who are entrusted with asset management tasks shall be trained in the content and implications of this Code of Professional Conduct; the implementation of this Code shall be ensured and supervised by means of appropriate internal guidelines;

c) the Asset Manager shall only employ persons who, in their professional capacity, have a good reputation and an irreproachable character reference.

[3] The Asset Manager shall continuously anticipate the areas in which a conflict might arise between his own interests and those of his client.

[4] If, despite measures taken, a conflict of interest to the disadvantage of the client cannot be totally excluded, the Asset Manager shall inform the client thereof. The Asset Manager shall require the client to decide on whether to continue, amend or rescind the relative contractual relationship. Any action taken in this connection shall be documented.

§18 Prohibited Transactions

Investments and transactions shall be in the interests of the client. The Asset Manager is forbidden, in particular:

a) to transfer clients' deposits unless this is in the economic interests of the client (Churning);

b) to capitalise on his knowledge of the client's instructions by carrying out the same transactions for his own account either prior to, parallel with or immediately following the client's transactions (front / parallel / after running).

§19 Due Diligence in Recommendations

[1] The Asset Manager shall recommend to his clients only banks and brokers who can guarantee overall best possible performance with respect to cost, time and quality.

[2] He shall not be influenced by advantages promised to him by the recommended institution; but shall select partners whose services are best suited to the requirements of the client.

§20 Organisational Structure

[1] The Asset Manager shall organise himself in such a way that he is always in a position to comply with the Code of Professional Conduct.

[2] The Asset Manager shall ensure that his organisation has the capacity required to handle the number of clients, the volume of assets under management, the investment strategies applied and the chosen products; where necessary he shall adapt himself to changing circumstances. This is with respect to both quantity and quality.

[3] He shall ensure ongoing appropriate training in both professional and administrative matters.

[4] The organisational structure must be such that the Asset Manager is in a position to fulfil his duties of information and accountability at all times without delay.

§21 Duty of Care

[1] The Asset Manager shall periodically review the client's risk profile and adapt it to changed circumstances. On this basis he shall also review the investment strategy periodically. If adaptations appear necessary or advisable, he shall offer the client an appropriate recommendation.

[2] The Asset Manager shall ensure that the investments are always in line with the risk profile and the client-specific investment strategy agreed on with the client and shall keep this under constant supervision.

[3] If market developments cause investments to deviate from the agreed investment strategy, the Asset Manager shall act in the best interest of the client. If no correction can be made, he must inform the client.

[4] The Asset Manager shall advise clients of deviations from the risk profile and investment strategy which arise out of concrete instructions from the client and shall record this in writing.

[5] The Asset Manager shall ensure that there is adequate diversification of risk within the scope of the agreed investment strategy.

[6] The Asset Manager shall make the necessary provisions to ensure that the interests of the client will remain entirely protected in the case of either the death of a principal functionary or the inability of one to perform his function. These provisions are to be documented.

§ 22 Compliance with the Law

[1] The Asset Manager shall not accept any assets from clients, nor shall he manage any settlement accounts. He shall deposit the assets entrusted to him with a bank or broker who holds the appropriate authorisation and in an account or deposit which is in the client's name.

[2] He shall manage these assets on the basis of a written power of attorney whose scope is clearly defined.

[3] The Asset Manager shall not execute any transactions which would require authorisation under the Stock Exchange and Securities Trading Law.

§ 23 Duty of Information

[1] The Asset Manager shall provide his client with a copy of this Code of Professional Conduct and ensure that the client understands the content and its implications.

[2] When determining the investment policy the Asset Manager shall inform his client in an appropriate and objective manner and in terms which the client, depending on his knowledge of the subject matter, can understand, of the risks of the agreed investment goals, the investment limitations and the intended investment vehicles. A standard written notification may be used.

[3] The Asset Manager shall inform his client about changes in personnel, in the organisation or in the shareholding situation, insofar as these changes affect the client directly. If such changes are public knowledge, the client does not need to be informed separately.

§ 24 Regulation of Accountability

[1] The Asset Manager shall present his client with regular financial statements and shall make provision for this commitment in the Asset Management Contract. He is also accountable to the client at times outside the agreed reporting dates, should the client so demand.

[2] The Asset Manager shall abide by the standards widely held in the sector concerned when presenting his statements — i.e. he shall apply accepted methods of calculation and valuation, he shall conform to accepted frequency and, where applicable, use accepted benchmarks.

[3] The Asset Manager's financial statements shall be produced in a form which enables the client to ascertain whether the mandate was executed in accordance with the contract, the current value of the assets, their performance and whether or not the investment goal was attained.

§ 25 Calculation of Return

[1] Any benchmarks used must be appropriate to the investments made and must be accurately named.

[2] Returns shall be calculated by recognised methods which are customary in the sector.

E. Requirements concerning the Regulation of Remuneration

§ 26 Agreement on Remuneration

[1] The remuneration of the Asset Manager can be agreed on in the Asset Management Contract provided it is within the scope of contractual freedom and in compliance with § 13 of the Code of Professional Conduct.

[2] However, the agreed arrangement for remuneration must meet the following requirements:

a) the estimated total amount of remuneration must be transparent to the client;

b) out-of-the-ordinary remuneration which might deceive the client is not permitted;

c) charging of exchange premiums on assets brought in by the client is not permitted;

d) all modalities and elements of remuneration and the manner in which it is calculated as well as the due dates and payment modalities shall be regulated in the Asset Management Contract.

§ 27 Payments by Third Parties

[1] The Asset Management Contract shall define who is entitled to payments which the Asset Manager receives — either in direct connection with the execution of his mandate or at the time the instructions are carried out — from third parties. In this matter he is subject to the prevailing case law under Article 400, Par. 1 of the Swiss Code of Obligations.

[2] The following are considered the major „payments by third parties“ for the purpose of paragraph 1, although others are not excluded: finder's fees, retrocessions on brokers' commissions or deposit commissions, discounts resulting out of umbrella agreements and payments which are compensation for a sales activity by the Asset Manager in favour of the third party.

[3] If the acceptance of payments by third parties results in conflicts of interest or may result in potential conflicts of interest, the Asset Manager shall inform his clients thereof.

[4] A conflict of interest always arises when it is agreed that the Asset Manager is entitled to payments by third parties and the amount of such payments is contingent on the choice of the third party, the investment vehicle or on the number of transactions and the amounts involved.

[5] On the request of the client the Asset Manager shall disclose the amount of payments he has received from third parties as defined under par. 2, provided these payments can be broken down by client at reasonable cost.

F. Final Provisions

§ 28 Transitional Provisions

[1] This Code of Professional Conduct shall become binding for the Asset Manager at the point in time at which he declares his agreement to abide by it.

[2] Existing client contracts may be formally amended within a period of transition until 31st December 2014 at the latest.

§ 29 Entry into Force

[1] This Code of Professional Conduct was approved by the Organisation on the 21st November 2013 / 6th December 2013.

[2] It shall enter into force with the legal consent of the Swiss Financial Market Supervisory Authority (FINMA).

Zurich, 6th December 2013

Entry into Force: 1st January 2014