

Recommendations regarding Actively Managed Certificates (AMC)

1. Introduction

"Actively Managed Certificates" ("AMC") are structured products whose underlying asset is managed on a discretionary basis during the term of the product in accordance with a specific investment strategy. The issuer synthetically implements its investment strategy or an investment strategy proposed by a third party (the "AMC Advisor"), whereby the AMC Advisor may, at its discretion, compose and restructure the underlying asset in accordance with the framework of the investment strategy. The performance of an AMC therefore depends on the AMC Advisor's ability to (synthetically) implement the investment strategy. Investors must be informed transparently under the product documentation on the investment strategy, its implementation by the AMC Advisor and the costs associated with the AMC. 1

As with other structured products, the investor in an AMC has no recourse to the underlying asset, but against the issuer of the AMC or the guarantor to the extent of its guarantee. Investors must be made aware of the issuer risk in the product documentation. 2

These recommendations constitute minimum requirements for the appointment of AMC Advisors in connection with the issuance of AMCs and for ensuring transparency with regard to the investment strategy, its implementation and the associated costs. 3

2. Objectives and scope of application

These recommendations aim to establish a minimum standard to protect investors and enhance the image of the industry. 4

The minimum requirements set out in this recommendation are considered to be "best practice". Accordingly, the minimum requirements may be deviated from, provided that such deviation can be justified on a case-by-case basis. 5

These recommendations apply to issuers of AMCs and AMCs offered in or from Switzerland. 6

3. Requirements for the AMC advisor

The requirements for the AMC Advisor in this section 3 only apply to AMC Advisors that are not regulated (except self-regulation) and supervised in Switzerland and have been approved by the Swiss Financial Market Supervisory Authority FINMA ("FINMA") or are subject to equivalent regulation and supervision abroad and have been approved by a foreign supervisory authority. 7

Within the scope of this section 3, only persons with an appropriate organisation and the necessary knowledge and experience should be considered and appointed as AMC Advisors. 8

The following criteria and information should be included and taken into account in the selection process for the appointment of an AMC Advisor, in particular with regard to the appropriate organisation. 9

- 10 The AMC Advisor shall have an appropriate infrastructure for the administration of an AMC and shall be organised in such a way that he can fulfil his duties as an AMC Advisor of an AMC at all times.
- 11 The group of persons entrusted with the administration of an AMC shall be of an appropriate size, but shall consist of at least two persons. These persons entrusted with the administration of an AMC must have the necessary professional qualifications for their activity.
- 12 The AMC Advisor shall take appropriate organisational precautions to avoid conflicts of interest, which may arise in connection with his other activities during the performance of his duties as an AMC Advisor. If conflicts of interest cannot be avoided by implementing organisational precautions, such conflicts of interests must be disclosed in the product documentation by the AMC Advisor to its clients and the issuer. As a rule, a conflict of interest will arise where the AMC Advisor is both the distributor of the AMC and the asset manager or investment advisor of the investor. The product documentation shall refer to potential conflicts of interest in a general manner.

4. Investment strategy

- 13 The following requirements must be adhered to in connection with the investment strategy of the AMC.
 - a. General Assurances
- 14 The AMC Advisor shall confirm in writing (i) that he is responsible for the implementation of and compliance with the investment strategy and that he complies with it at all times and (ii) that he has an established control mechanism/control procedure in place that enables him to continuously monitor the performance of the AMCs or the Underlying and compliance with the investment strategy.
 - b. Key data of the investment strategy
- 15 The key data of the investment strategy pursued by the AMC Advisor must be known to, recorded in writing and disclosed to investors in a clear and easily understandable form in the product documentation.

In particular, the following elements must be taken into account:

- Which investment categories and financial instruments may be part of the investment strategy;
- Whether the strategy envisaged includes a leverage effect;
- Who decides on the composition and rebalancing of the underlying asset and how often a rebalancing may be carried out;
- Where the current composition of the Underlying can be retrieved or from whom it is available;
- Whether there are significant investment restrictions;

- Whether there are diversification rules;
- Fees (according to section 5 below).

c. Pricing

The pricing of AMCs should in principle and under normal market conditions take place on an ongoing basis and not only once a day. 16

5. Fees

Regarding the fees charged in connection with an AMC, the following requirements must be adhered to account: 17

a. Transparency of fees

All applicable fees (or other costs) must be clearly and comprehensibly set out in the product documentation. 18

Each fee must state in an understandable manner (i) the amount of the fee respectively how the fee is calculated, (ii) how the fee is charged to the investor, (iii) who is the recipient of the fee and (iv) which service is covered by the fee. 19

b. No Multiple Compensation (Double Dipping) for or in connection with any component of the underlying instrument.

The AMC Advisor may not accept any compensation for or in connection with any component of the Underlying or such compensation shall be credited to the Underlying. This does not include reasonable compensation paid to the AMC Advisor as compensation for services actually rendered by the AMC Advisor with respect to the Component of the Underlying, unless and to the extent that the AMC Advisor is already compensated for such services in his capacity as AMC Advisor. 20

6. Regulation and documentation

The Issuer and the AMC Advisor shall clearly regulate and document their relationship and cooperation in connection with an AMC, including their precise roles and responsibilities in the issuance and administration of an AMC. 21

It must be clearly stated which duties the AMC Advisor and which duties the issuer assumes in connection with the issuance and administration of an AMC. This assignment of tasks must be disclosed to the investor in an understandable form in the product documentation. 22

The AMC Advisor must be contractually obliged to comply with its regulatory duties and requirements, in particular with regard to possible conflicts of interest, as well as to permanently comply with the investment strategy pursuant to section 4.a. and the prohibition of multiple compensation pursuant to section 5.b. of these recommendations. 23

- 24 In order to identify and verify the existence of the necessary characteristics of the AMC Advisor, the issuer should obtain the usual documents before concluding the contract, or at least:
- Approval by FINMA or relevant foreign supervisory authority in accordance with section 3 of these recommendations;
 - Extract from the commercial register;
 - Organigram;
 - CV of the persons entrusted with the management of an AMC.

7. Entry into force

- 25 These recommendations were adopted and approved by the Board of the SSPA on December 13, 2019. They enter into force on March 31, 2020.