
Regulations

of

**Industry Organisation for
Asset Management**

of

**VQF Financial Services
Standards Association**

regarding the

Practice of Asset Management

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Through the approval by the Federal Financial Market Supervisory Authority (FINMA) of its rules of conduct as a minimum standard, the VQF Financial Services Standards Association (VQF), as a recognised industry organisation for asset management, is competent for supervising implementation of the rules of conduct and ensuring compliance therewith. The Management Board of VQF issues based on to Art. 19 Para. 1 of the VQF by-laws the present regulations¹ (regulations) for the members of the Industry Organisation for Asset Management of VQF (VQF BOVV).

I. Introductory Provisions

Art. 1 Purpose

¹ These regulations regulate the duties of the affiliated members of the VQF BOVV (member or BOVV member).

² They also define:

- a. The requirements and the procedure for the admission and exclusion of members.
- b. The control of compliance with the duties of the members in accordance with the Rules of Conduct of the VQF BOVV for the practice of asset management (Rules of Conduct, VQF doc. no. 500.02).
- c. The consequences of the violation by members of their duties (measures and sanctions).

Art. 2 Scope of Application

¹ The provisions of these regulations and the rules of conduct apply to all VQF members, as defined by Art. 3 Para. 1 of the VQF by-laws, who submitted an application for admission to and were admitted into membership of the VQF BOVV. Articles 3 and 4 of the regulations are applicable to applicants for membership of the VQF BOVV.

² In addition to these regulations and the rules of conduct, the regulations of the VQF SRO apply to those VQF BOVV members within the meaning of Art. 3 Para. 1 of the VQF by-laws who also subjected themselves to the regulations of the VQF self-regulatory organisation (VQF SRO) regarding the combating of money laundering and terrorist financing (VQF doc. no. 400.1.2 / VQF doc. no. 400.2) and who thus are also members of the VQF SRO (SRO members).

³ The provisions of these regulations and the rules of conduct do not apply to those members who are exclusively members of the VQF SRO within the meaning of Art. 3 Para. 1 of the VQF by-laws.

⁴ The provisions of these regulations and the rules of conduct do not apply to members within the meaning of Art. 3 Para. 3 of the VQF by-laws (passive members).

¹ The masculine form used in these regulations incorporates the feminine form.

⁵ The term "member" as used in the other provisions of these regulations refers exclusively to BOVV members.

Art. 3 Admission Procedure

¹ The Supervisory Commission has provided a simplified procedure for SRO members wishing to become subject to the regulations of the VQF BOVV. All that is required is a simple Declaration of Change. The following provisions of Paras. 2 - 9 apply to applicants who are not already members of the VQF SRO.

² Persons wishing to join the BOVV under the terms of Art. 3 Para. 1 of the VQF by-laws must submit a written application to the VQF BOVV duly provided with legally valid signature and enclose all the requested documents. The application is deemed to have been submitted on payment of the full amount of the admission fee and the complete submission of all necessary documents.

³ On submitting the application, the applicant becomes subject to all terms and conditions of admission of the VQF BOVV and any obligations and/or provisions of FINMA, such as, for example, the handling of belated or rejected applications.

⁴ Following receipt of the admission fee, the submitted application is checked for formal completeness and in the case of incomplete applications the outstanding information and documents are requested from the applicant in order to complete the application.

⁵ When the application is complete, or if the applicant fails to complete the application after a second request, the application is passed to the Supervisory Commission for evaluation.

⁶ The Supervisory Commission checks the application and decides whether the applicant will be admitted into membership.

⁷ Before taking the decision as to whether to accept or decline the application, the Supervisory Commission may request additional information and documents from the applicant or order an admission audit, insofar as it considers this to be necessary for its decision. The ordering of such additional measures is not contestable.

⁸ The following applies with regard to the final decision by the Supervisory Commission on admission or non-admission to the VQF BOVV:

- a. The decision is communicated to the applicant in writing.
- b. No justification needs to be provided with regard to decisions to decline admission (non-admission).
- c. Admission may be associated with conditions. The respective conditions must be explicitly stated to the member and described in the decision on admission. Proceedings on sanctions can be opened against the culpable member on non-compliance with a condition.
- d. Arbitration is excluded in all cases (Art. 19 of the regulations).

⁹ The admission fee and payments made to VQF set off against the cost of performing any admission audit on the applicant are not reimbursable either in the event of the withdrawal of an application or on a decision to decline admission (non-admission).

II. Duties of Membership

Art. 4 Membership Requirements

¹ The requirements of Art. 4 of the VQF by-laws apply.

² The member is responsible for ensuring that the persons entrusted with administration and management:

- a. enjoy a good reputation and provide assurance of proper business conduct and compliance with duties pursuant to the VQF by-laws, regulations and rules of conduct; and
- b. Are committed to observing the requirements of a qualitatively high standard of business ethics in the exercising of their activity.

³ The guidelines of the respective professional organisations qualify among other facts as a measure of professional conduct. In addition, the regulations of the VQF SRO apply to those BOVV members who are subject to them.

Art.5 Duty of Organisation

¹ The member must have a suitable internal organisation which assures in its business the fulfilment and control of its duties under the rules of conduct and the by-laws and regulations of VQF.

² The member, in particular, provides for the careful selection, instruction, control and regular training of its bodies, employees and external auxiliary personnel, with regard to the important aspects of compliance with the rules of conduct and the regulations of VQF.

Art. 6 Duty of Cooperation and Truthfulness

¹ The member is obliged at all times to subject itself to and cooperate with audits conducted by the VQF BOVV and to present all documents and provide all information requested of it by the auditor during such audits in a truthful and complete manner.

² The member is obliged at all times to present all documents and provide all information to the Supervisory Commission in a truthful and complete manner. The member is also obliged to comply with the measures imposed by the Supervisory Commission (Art. 10 of the regulations).

Art.7 Permanent Compliance with Duties of Membership and Duties of Reporting

¹ The requirements for membership and the duties of membership must be met on a permanent basis.

² The member must inform the VQF BOVV immediately of any changes to material facts and other information (of a personal or structural nature) in the content of the application for admission and obtain its approval of such changes.

³ In particular, the member must immediately inform the VQF BOVV of the opening of criminal and administrative proceedings against the member or persons entrusted with its administration or management, which relate to a business or professional activity. The member must organise itself in such a way as to be informed in good time about relevant criminal and administrative proceedings against its persons entrusted with administration or management, in order that it can comply with its duty of reporting.

III. Supervision and Auditing

Art. 8 Principles / Audit Concept

¹ The Supervisory Commission supervises all BOVV members in accordance with Art. 3 Para. 1 of the VQF by-laws with regard to compliance with their duties under the VQF by-laws, regulations and rules of conduct. The Supervisory Commission is authorised to demand the information and documents required for the purposes of supervision from the member at any time.

² The Supervisory Commission intervenes in appropriate manner in the event of a complaint against the member by a third party.

³ The specific form of this supervision and the audits are regulated by the Audit Concept of the VQF BOVV (VQF doc. no. 500.20). The provisions of this Audit Concept form an integral part of these regulations.

IV. Measures and Sanctions

1. General Provisions

Art. 9 Competence for Measures and Sanctions

¹ The Supervisory Commission is competent for clarifying, investigating and imposing sanctions with regard to the violation of the by-laws, regulations and rules of conduct and for ordering all measures for the restoration and maintenance of compliance with the by-laws, regulations and rules of conduct.

² The Supervisory Commission determines the procedure and cost implications for measures and sanctions and regulates the principles for this in its rules of procedure (VQF doc. no. 607.01).

³ Termination by the member of its VQF BOVV membership has no effect on the existence of the Supervisory Commission's authority to impose sanctions for the violation of duties in accordance with the by-laws, these regulations or the rules of conduct committed during the period of membership. The decision to impose sanctions is also binding on former VQF BOVV members provided that the former member was notified in writing of the decision to impose sanctions by no later than the period of six months following termination of its VQF SRO membership.

⁴ In the event of a change of membership category Para. 3 applies correspondingly.

2. Measures

Art. 10 Measures

¹ The Supervisory Commission in the context of its duty of supervision can order all appropriate measures for the restoration of a state of affairs in compliance with the by-laws, regulations and rules of conduct.

² In relation to the member it may, in particular:

- a. Impose a time limit on members for the restoration of compliance with the by-laws, regulations and rules of conduct (generally no more than three months from notification of this measure).
- b. Impose conditions on members of a personal or organisational nature.
- c. Impose a time limit on members for regular reporting on specific events or facts.

³ Measures of this type are not contestable unless they are associated with a sanction under the terms of Art. 11 et seq. of the regulations.

3. Sanctions

Art. 11 Types of Sanction

¹ The Supervisory Commission may impose the following types of sanction on members:

- a. Censure.
- b. Financial penalty of up to CHF 250,000.
- c. Exclusion from the Association.

² Sanctions in accordance with Para. 1 letters a and b may be combined with measures in accordance with Art. 10 of the regulations and exclusion from the Association may be combined with a financial penalty in accordance with Para. 1 letter b.

³ The amount of the financial penalty is measured in accordance with the severity of the violation and the degree of liability. The financial capacity of the member, if known, is also taken into consideration.

Art. 12 Violation of the Regulations and/or Rules of Conduct (Basic Offence)

¹ A financial penalty of up to CHF 250,000 is payable on violation of the regulations and/or rules of conduct.

Art. 13 Minor Violation of the Regulations and/or Rules of Conduct (Privileged Offence)

¹ A censure or financial penalty of up to CHF 25,000 may be pronounced in the case of minor as well as negligent infringements of the regulations and / or rules of conduct (petty offence).

² Sanctions may also be waived in the case of petty offences if the member fully complies with a request to restore compliance within the set period of time - generally no more than three months from notification of the request.

Art. 14 Serious Violations of the Regulations and / or Rules of Conduct (Qualified Offence)

¹ The Supervisory Commission may exclude a member in case of serious violations of the regulations and / or rules of conduct.

² A serious violation of the regulations and / or rules of conduct exists, specifically:

- a. in the case of violation of the duty of assurance of proper business conduct pursuant to Art. 4 of the VQF by-laws and/or Art. 4 of the regulations;
- b. in the case of deliberate violation of the duty of truthfulness (Art. 6 of the regulations);
- c. if despite two written reminders the member fails to observe a demand for compliance or restore a state in accordance with regulations (violation of the duty to cooperate pursuant to Art. 6 of the regulations);
- d. if the member fails to fulfil conditions pursuant to the admission decision (Art. 3 Para. 8 letter c of the regulations);
- e. in the case of deliberate or grossly negligent violation of elementary obligations under the rules of conduct or regulations;
- f. in the case of systematic violation of one or more obligations under the rules of conduct or regulations;
- g. if due to violation of the regulations and / or rules of conduct (excluding petty offences) it was already necessary to impose a valid financial penalty on the member and within five years from the legal effect of this sanction further violations are identified which are not qualified as petty offences; or
- h. if despite two written reminders a member fails to pay due demands for payment from the Association (e.g. membership contributions and other fees pursuant to the regulation on fees, valid financial penalties or procedural costs arising from internal sanctions or external appeal proceedings).

³ Exclusion may be waived and in its place a financial penalty of up to CHF 250,000 imposed if:

- a. the culpable person was excluded from the member's organisation; and / or

- b. the member subject to sanctions proceedings restores a state in accordance with regulations and provides a guarantee of compliance with regulatory obligations.

⁴ The member must demonstrate compliance with the requirements pursuant to Para. 3 within the comment period in the association's internal sanctions proceedings.

⁵ Exclusion from the Association can be combined with a financial penalty of up to CHF 250,000.

Art. 15 Combination of Sanctions Proceedings

¹ If by certain conduct an SRO / BOVV member violates not only the regulations of the VQF SRO but also the regulations and rules of conduct of the VQF BOVV, the Supervisory Commission may combine the two sanctions proceedings.

Art. 16 Confirmation of Sanctions (Extract) and Statutory Limitation Period

¹ The current or former member can request a written statement from the VQF BOVV with regard to the sanctions proceedings which concern the member. This confirmation of sanctions is chargeable and only relates to the last five years since its issuance.

² The prosecution of violations of the by-laws of the VQF, the regulations and rules of conduct of VQF BOVV lapses after five years from perpetration. The statutory period of limitation is interrupted by any act of the VQF BOVV (or its appointed auditor) due to the breach in question. The statutory period of limitation is suspended during the course of sanctions or arbitration proceedings relating to the breach of duty in question. The longer statutory period of limitation under criminal law applies if the member is subject to criminal prosecution in respect of a violation.

Art. 17 Reporting to FINMA

¹ FINMA must be informed in the event that proceedings which may result in exclusion are opened against a member. In addition, FINMA must be informed of the outcome of the proceedings on their completion.

4. Arbitration Request and Arbitration Procedure

Art. 18 Request for Arbitration regarding Sanctions Decisions and Legal Effect of Decisions

¹ Art. 32 of the VQF by-laws and the VQF arbitration regulations apply to arbitration requests (VQF doc. no. 608.01).

² If no arbitration request regarding a decision to impose sanctions is made within the period for objection pursuant to Art. 32 Para. 1 of the VQF by-laws, the sanctions decision is deemed to be accepted without reservation by the (current or former) member and the Association's internal sanctions proceedings are deemed to be legally final.

Art. 19 Arbitration Procedure

¹ The arbitration proceedings are governed by Art. 32 of the VQF by-laws and the VQF arbitration regulations (VQF doc. no. 608.01).

V. Final Provisions

Art. 20 Severability Clause

¹ If individual provisions of these regulations are ineffective or unworkable or become ineffective or unworkable during the period of membership or the validity period of the regulations, the effectiveness of the regulations remains otherwise unaffected. The ineffective or unworkable provision is replaced by an effective and workable regulation the effects of which come closest (primarily) to the Association's purpose and (secondarily) to the purpose of the ineffective or unworkable provision.

Art. 21 Entry into Force and Transitional Provision

¹ These regulations enter into force on 1 January 2016.

² These regulations also apply to sanctions proceedings already opened by the Supervisory Commission but not yet resolved.