

Guide to the Sample Investment Profile

Overview / Introduction

The investment profile can be defined as an integral part of the asset management contract; however this is not compulsory with regard to items 1 - 6 of the investment profile. It is recommended to define the **investment profile as an integral part of the contract** for the following reasons:

- **Items 1 - 6 of the investment profile** concern compliance with **duties of enquiry** pursuant to Article 8 Section 2 of the IOAM rules of conduct. Due to the requirements of the Swiss Financial Market Supervisory Authority (FINMA), the VQF Industry Organisation for Asset Managers (IOAM) is obliged to verify these duties of enquiry. Although it is true that it is not obligatory for these duties of enquiry to be regulated in the contract¹, nonetheless it is recommended to document these duties of enquiry in the contract (or in an appendix that was defined as an integral part of the contract), because in this case the signing of the contract is a straightforward way of providing indisputable proof of compliance with the duty of enquiry. For reasons of liability towards the client under civil law, it is also recommended that IOAM members obtain the client's written confirmation of compliance with the duty of enquiry (irrespective of the VQF's IOAM requirements).
- **Items 7 - 11 of the investment profile** contain information that **must be regulated in the contract** (or in an integral part of the contract such as, for example, an investment profile) (see Article 3 of the IOAM rules of conduct). As this information is systematically associated with the duties of enquiry (i.e. the information is dependent on the results of enquiries), the information that must be regulated in the contract was combined in the investment profile with the duties of enquiry. The sequence of items 1 - 11 was also chosen deliberately, i.e. this corresponds to a logical procedure in practice. If the investment profile is defined as an integral part of the contract, it is not necessary to repeat the information mentioned in items 7 - 11 of the investment profile in the actual contract. The use of contract appendices of this type can shorten the actual contract.

This is a sample risk profile. Under the second column "**Description**" (**especially with regard to items 7 and 8**), members may use additional strategy categories (item 8) to the three most commonly used categories of "conservative", "balanced" and "dynamic", or define the investment goals (item 7) in a different way than provided in the VQF sample.

The investment profile can also be combined, for example, with a **risk disclosure statement**, or with confirmation by the client that disclosure of risk has taken place in diligent manner (see for example item 7 letter b of the sample contract clauses provided by the VQF for an asset management contract, VQF doc. no. 500.04). If the investment profile is extended to include a risk disclosure statement and this is defined as an integral part of the contract, the corresponding risk disclosure passage in the actual contract can be omitted.

¹ Provided that duty of enquiry is not in dispute with regard to the client in question, the VQF also normally accepts - as satisfactory compliance with duty of enquiry - records of telephone conversations or memoranda by the IOAM member (or new client questionnaires, or similar), not signed by the client, in which the corresponding information obtained about the client (items 1 - 6 of the investment profile) is recorded.

1. Comment on Item 1

In particular, members may proceed as follows (alternative options):

- A general description of the client's experience (e.g. "The client has many years of experience in the field of stocks and bonds");
or
- A qualification (instead of a description) of the client's experience as "low", "medium" or "high";
or
- Reference to any questionnaire, check list or similar document which the member uses for new clients, which also contains details of the client's experience;
or
- Etc. etc.

2. Comment on Item 2

In particular, members may proceed as follows (alternative options):

- A general description of the client's subjective risk tolerance (e.g. "The client describes himself as cautious and would like to");
or
- A qualification (instead of a description) of the subjective risk tolerance as "low (value retention is more important than increase in value)", "medium (certain price and currency fluctuations are tolerable in favour of higher yields)" or "high (acceptance of above average price and currency fluctuations)";
or
- Reference to any questionnaire, check list or similar document which the member uses for new clients, which also contains the client's responses to questions concerning his subjective risk tolerance;
or
- Etc. etc.

3. Comment on Item 3

The member must define the time horizon (in years or months).

4. Comment on Item 4

For example: retirement provision, gaming money, home purchase savings, etc.

5. Comment on Item 5

Reference may be made to the AMLA customer profile and/or the member may hold additional information.

6. Comment on Item 6

The member makes an objective risk assessment of the individual client based on the information in items 1 – 5 of the investment profile. Regarding the written documentation of this objective risk assessment of the client in the investment profile, in particular, members may proceed as follows (alternative options):

- A general description of the objective risk assessment of the client (e.g. "The client is assessed as having a low risk tolerance because...");
or

- A qualification (instead of a description) of the objective risk tolerance as “low (value retention is more important than increase in value)”, “medium (certain price and currency fluctuations are tolerable in favour of higher yields)” or “high (acceptance of above average price and currency fluctuations)”;
- or
- Reference to any questionnaire, check list or similar document which the member uses for new clients, which also contains statements or assessments by the member concerning the client’s objective risk tolerance;
- or
- Etc. etc.

7. Comment on Items 7 - 11

Based on the statements contained in items 1 – 6, the contracting parties (client and asset manager) agree on an investment goal (item 7) and a reference currency (item 11), and jointly define how this goal should be achieved and with which strategy (item 8) and deposit structure (item 9), including any restrictions (item 10).

The investment strategy (item 8) and the agreed margins of fluctuation / exposure in the respective, contractually permissible investment categories (item 9) must take account of the client’s risk profile (as well as of the other aspects referred to in items 1 - 6), and must also be in alignment with the jointly defined investment goal (item 7).

In the event that specific instructions by the client are not in accordance with the client’s risk profile or the agreed investment goal, the asset manager must draw the client’s attention to this fact and record this in writing.

The asset manager provides for effective monitoring of the investments. This allows the asset manager to guarantee that the investments are in accordance with the client’s risk profile and investment goal.