

Risk Profiling in e-AMIS

Under the rules of professional conduct and other legal requirements, asset managers are obliged to keep minutes of the investment advice they provide to clients and draw up a profile describing clients' risk capacity and risk qualification. The asset manager uses this risk profile as a basis for defining and continuously monitoring the client's investment strategy. The entire process is modelled in e-AMIS.

LEGAL PRINCIPLES

Switzerland

- The revised circular 'Guidelines on asset management' issued by the Swiss Financial Markets Authority (FINMA) on 1 July 2013 sets minimum standards for aspects such as the duty of investigation (client's risk profile), information requirements (risk disclosure) and due diligence obligations (updating the client's risk profile)
- The revised Collective Investment Schemes Act (CISA): As of 1 January 2014, all financial service providers offering their clients collective investments (funds) must set out the reasons for their (buy) recommendations in a written report or 'investment advice minutes'
- Stronger investor protection will be provided by the new Financial Services Act (FIDLEG) and the Financial Institutions Act (FINIG), due to come into force on 1 January 2020.

Germany, European Union

- Requirements for investor protection (including the obligation to document advice) pursuant to the Securities Trading Act (WpHG) in the version published on 9 September 1998 (Federal Law Gazette BGBl. I S. 2708), last amended by Article 2 para. 37 of the Law of 1 April 2015 (BGBl. I S. 434)
- Strengthening of investor protection with the passing of the European Market in Financial Instruments Directive (MiFID) II into national law, entry into force on 2 July 2014, to be applied from 3 January 2018

IMPLEMENTATION IN e-AMIS

In e-AMIS, the investment advice minutes and client profile can be recorded and saved electronically. When creating the client profile, the first step is to define individual questionnaires that can be used as a template for the profile. Here different profile templates can be allocated to different client groups or selected automatically by the system depending on the respective classification of clients. On top of that, several types of profile templates can be created in order to set up profiles for different purposes, such as Know Your Customer (KYC), risk profile, etc.

There is also an option for the replies from clients previously entered in the system when creating client profiles to be translated into a client risk classification (using a configurable formula) in the form of a score. On this basis, a proposal for the investment strategy can then be produced (**Fig. 1**). The client relationship manager can subsequently accept this proposal or agree a different investment strategy with the client. Both the investment strategy proposal and any other agreed investment strategy (**Fig. 2**) are then stored, together with the replies in the client profiles, and are available for client reporting, along with other reports such as the list of assets, investment proposal, etc.

The same functionality is also available for purely prospective clients, or 'prospects'. After initial discussions with prospective clients, all the data is as usual retained in e-AMIS so that it does not have to be entered again later on, and the actual investment process can go ahead at any time. Not only the client profiles can be saved, but also electronic documents such as scanned copies of passports or agreements, with all the information relating to that client stored centrally. During this process, individual documents can be marked 'confidential' so as to limit access to sensitive data to specific employees.

Due diligence obligations call for regular monitoring of client profiles and investment strategies. If the client's circumstances change or the client wants to adopt a different investment strategy, new versions of the client profile can be produced. The previous versions are not deleted, but stored as client history in e-AMIS.

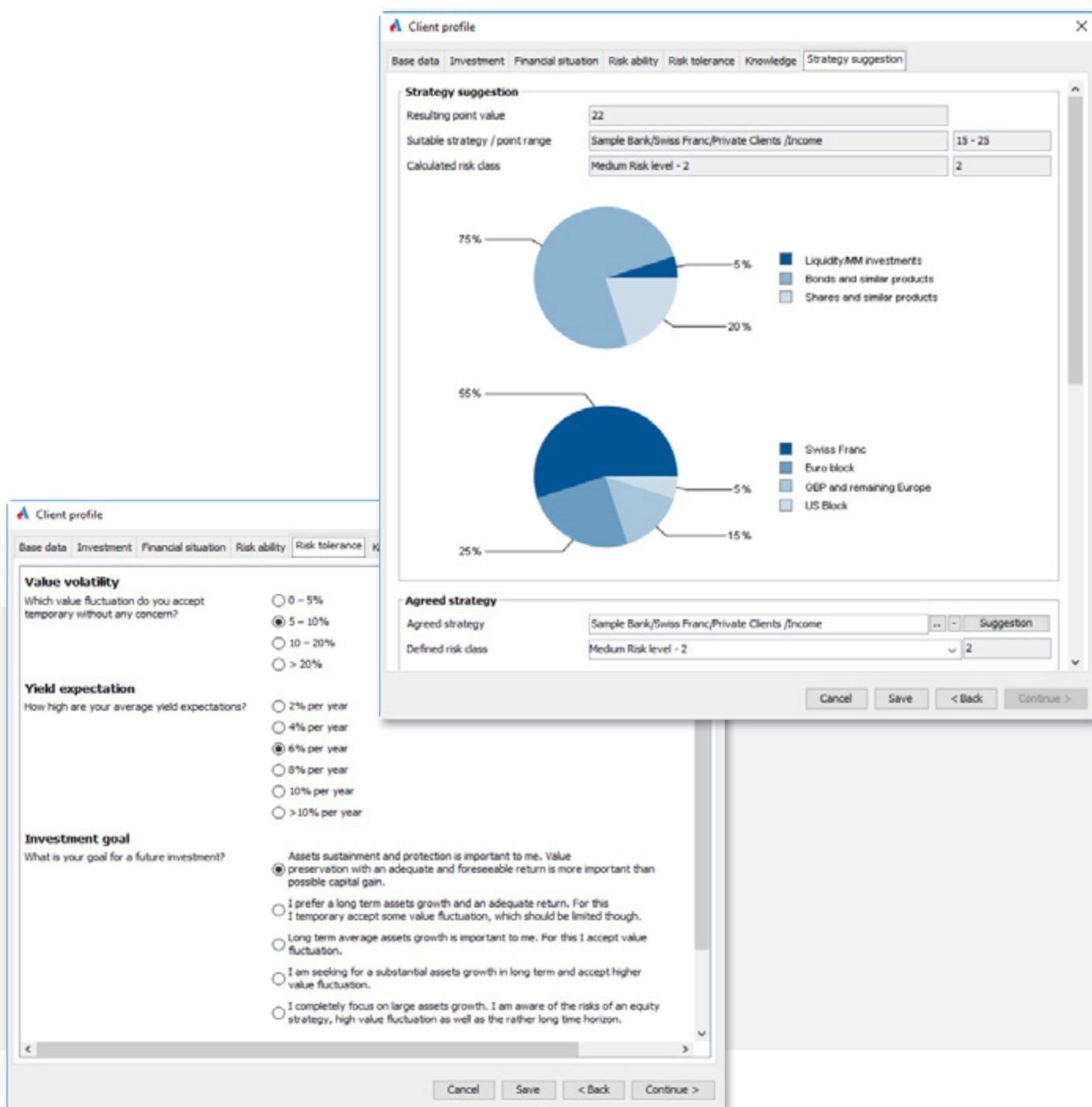


Fig. 1: Questionnaire, with replies, and investment strategy proposal

MONITORING THE RISK CLASSIFICATION OF CLIENTS

The client's risk classification based on the replies provided to the questionnaires is stored in e-AMIS alongside other client data and can be used to check investment restrictions. This means that client risk classes can be compared with the risk ratings of financial instruments, thereby avoiding investments in disallowed financial instruments. Portfolio holdings can be checked either ex-post manually or automatically to make sure investment limits are complied with (Fig. 3). Ex-ante checks by investment compliance before performing portfolio rebalancing are also possible.

For further information, please contact

Dr. Frank Jenner
 Management Board
 +41 44 736 47 47
 frank.jenner@profidata.com

CONCLUSION

Configurable questionnaires make it easy to produce client profiles, link them to additional documents and store them in the system. The replies to the questionnaires automatically result in risk classification and investment strategy proposals for the client. Checks on investment limits then allow subsequent monitoring of investments to make sure they are compatible with the client's risk rating.

The risk profiling offered by e-AMIS provides asset managers with optimal support both in the advisory discussions and during the entire investment process.

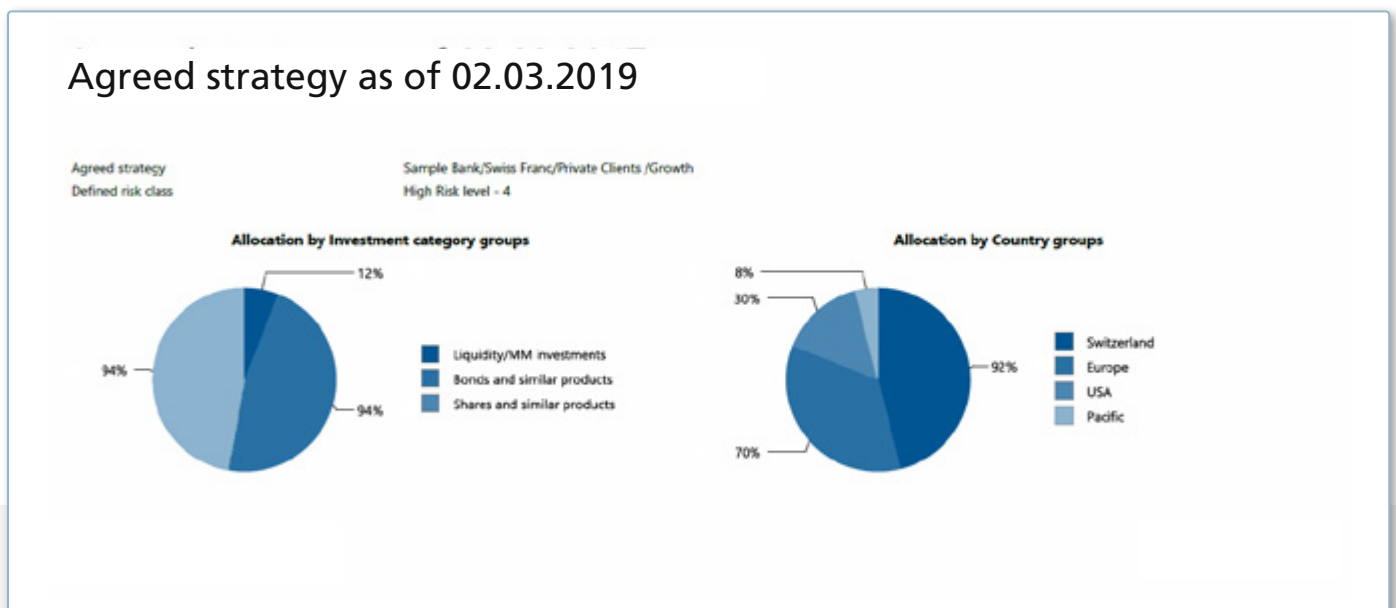


Fig. 2: Report on the agreed investment strategy

Compliance check for selected clients

Result

No. 367 Number of records 12

Client	Portfolio	Remark	Utilisation	Limit	Violation type	Share in %	Utilisation %
100300	01	✓		BVV2 uncovered investment employer (max. 5...	No Violations	0.00	0.00
100300	01	⚠		BVG Shares, participation, prof.certif. (max. 5...	Tolerance	4.38	87.65
100300	01	⚠		BVG Shares, participation, prof.certif. (max. 5...	Tolerance	4.96	99.28
100300	01	⊗		BVG Shares, participation, prof.certif. (max. 5...	Violated	5.36	107.24

Number of records 1

Description	Pos. ccy	Position	ISIN	Sequence	Add. Text	Share in %	Ccy	Value	P/S	Part. pos. %	Fund	Client	Portfolio
Roche Hfdg GS	CHF	DEP-01-CHF	CH0012032048	1		5.36	CHF	71'700.54				100300	01

Fig. 3: Investment compliance check to ensure compliance with risk classification

SWITZERLAND
Bändliweg 30
8048 Zurich

GERMANY
Stephanstrasse 3
60313 Frankfurt am Main

LUXEMBOURG
5 Rue Gabriel Lippmann
L-5365 Munsbach

UNITED KINGDOM
2nd Floor, Titchfield House
69-85 Tabernacle Street
London EC2A 4RR

SINGAPORE
75 High Street
Singapore 179435

info@profidata.com
www.profidata.com

