**Overview**

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| --- | --- |
| **Subject** | **Compliance with the conduct rules for the provision of financial services (suitability)*** Portfolio management
* Investment advisory services (portfolio-based investment advisory services and investment advisory services for individual transactions)
* Pure execution of transactions (execution-only)
 |
| **Audit depth** | [Audit/critical assessment] |
| **Regulations**(non-exhaustive list) | * Financial Services Act (FinSA)
* Financial Services Ordinance (FinSO)
* Financial Institutions Act (FinIA)
* Financial Institutions Ordinance (FinIO)
* Banking Ordinance (BO)
* FINMA Circular 2017/1 “Corporate governance – banks” (the provisions are applicable in the context of the audit field)

*These regulations are to be considered in conjunction with the general legal requirements for adequate organisation and the requirements for proper business conduct.* |
| Suitability | The term relates not only to the assessment of appropriateness and suitability in accordance with Art. 11 and 12 FinSA, but also to the full compliance with conduct rules for the management of financial instruments (portfolio management), portfolio-based investment advisory services, investment advisory services for individual transactions and the acquisition or disposal of financial instruments / acceptance and submission of orders (execution-only) as well as topics related to these.  |
| Suitability risks | Risk that the conduct rules for the management of financial instruments (portfolio management), portfolio-based investment advisory services, investment advisory services for individual transactions and the acquisition or disposal of financial instruments / acceptance and submission of orders (execution-only) are not adhered to. |
| Potential risk sources linked to compliance with conduct rules (suitability risks) | E.g. sales targets, compensation payments, retrocessions, use of proprietary investment products, differences between client risk profile and portfolio / investment strategy risk profile, risk disclosure and documentation, concentration risks, client segmentation, best execution, securities lending transactions, attendance at training courses, suitability systems, product information, client complaints and their management, regulatory changes impacting suitability. |
| **Sign-offs:** |

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| --- | --- | --- | --- |
| **Sign-offs** | **Name** | **Function** | **Date** |
| Auditor:  | [Name] | [Assistant / Senior / Manager / Senior Manager / Partner] | [DD.MM.YYYY] |
| Reviewer: | [Name] | [Senior / Manager / Senior Manager / Partner] | [DD.MM.YYYY] |

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**This is a standard work programme to in principle be applied to the above-mentioned audit fields in the event of interventions in accordance with the audit strategy (margin no. 28 et seqq. FINMA Circular 13/3). The information in the column “Conduct rules for” below indicates whether a particular audit procedure has to be performed for the respective audit field. The conduct rules for portfolio-based investment advisory services and investment advisory services for individual transactions must always be covered together in the same audit field.**

**It is the audit team’s responsibility to adapt the standard work programme to the audited institution’s specific situation (size, business model, organisation, processes, risk exposure, etc.). If the procedures cannot be carried out in full, the underlying rationale must be explained in the working paper.**

**Overall conclusion**

| **Topic** | **Information/description** |
| --- | --- |
| Overall assessment |

|  |  |
| --- | --- |
| **Confirmation in audit report:** | **Conclusion:** |
| Confirmation that the operational organisation related to the management, controlling and reporting of suitability risks in □ the management of financial instruments (portfolio management), □ investment advisory services (comprising portfolio-based investment advisory services and transaction-related investment advisory services) and □ the acquisition or disposal of financial instruments / acceptance and submission of orders (execution-only transactions) was adequate and appropriate and, where the audit depth was “audit”, that the relevant requirements were met.[[1]](#footnote-2)  | **Yes** (Audit/critical assessment) / **No** |
| Confirmation that the internal processes for compliance with conduct rules related to □ the management of financial instruments (portfolio management), □ investment advisory services (comprising portfolio-based investment advisory services and transaction-related investment advisory services) and □ the acquisition or disposal of financial instruments / acceptance and submission of orders (execution-only transactions) were adequate and appropriate, and complied with where the audit depth was “audit”.[[2]](#footnote-3) | **Yes** (Audit/critical assessment) / **No** |
| Confirmation of the appropriateness of the measures taken to provide training and further education in □ the management of financial instruments (portfolio management), □ investment advisory services (comprising portfolio-based investment advisory services and transaction-related investment advisory services) and □ the acquisition or disposal of financial instruments / acceptance and submission of orders (execution-only transactions).[[3]](#footnote-4) | **Yes** (Audit/critical assessment) / **No** |

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| Summary of significant findings / notices of reservations and recommendations (see details below) | [Summary of significant findings / notices of reservations and recommendations] |
| Audit areas, results and work performed by Internal Audit relied on by the audit firm (including audit firm’s own assessment) | [Description] |

**Work programme for banks and securities firms – Suitability**

| **Conduct rules for** | **No.** | **Topic** | **Procedures for audit depth “critical assessment”** | **Additional procedures for audit depth “audit”** | **WP ref.:** |
| --- | --- | --- | --- | --- | --- |
| Portfolio management | Investment advisory services | Execution-only transactions |
| Portfolio-based | Transaction-related |
| *Confirmation that the operational organisation related to the management, controlling and reporting of suitability risks in □ the management of financial instruments (portfolio management), □ investment advisory services (comprising portfolio-based investment advisory services and transaction-related investment advisory services) and □ the acquisition or disposal of financial instruments / acceptance and submission of orders (execution-onlytransactions) was adequate and appropriate and, where the audit depth was "audit", that the relevant requirements were met.**Bestätigung, dass die Betriebsorganisation zur Bewirtschaftung, Kontrolle und Rapportierung der Suitability-Risiken in den Bereichen □ Verwaltung von Finanzinstrumenten (Vermögensverwaltung), □ Anlageberatung (bestehend aus portfoliobasierter Anlageberatung und transaktionsbezogener Anlageberatung) und □* *Erwerb oder Veräusserung von Finanzinstrumenten bzw. Annahme und Übermittlung von Aufträgen (Execution-only-Geschäfte) angemessen war und im Fall der Prüftiefe „Prüfung“ die entsprechenden Vorgaben eingehalten wurden.**Confirmation du caractère approprié de l’organisation en matière de gestion, contrôle et reporting des risques de suitability, dans les domaines □ gestion d’instruments financiers (gestion de fortune), □ conseil en placement (conseil en placement pour le portefeuille et conseil en placement pour les transactions) et □ acquisition ou aliénation d’instruments financiers, réception et transmission d’ordres* (executiononly), *ainsi que du respect des prescriptions correspondantes en cas d’étendue d’audit « audit ».* |
| **X** | **X** | **X** | **X** |  | **Process for managing suitability risks in general**Art. 9 para. 2 FinIAArt. 12 para. 4, Art. 67 FinIOArt. 21 FinSAArt. 23 FinSOCircular 2017/1 CG banks, margin no. 10 and 11, margin no. 40 to 46, margin no. 52 and 53 | *Assess the adequacy of the methods used to identify, measure, manage and monitor suitability risks, considering the size and relevance of portfolio management, portfolio-based investment advisory services, investment advisory services for individual transactions and execution-only transactions, notably:*Obtain internal regulations, guidelines, manuals and job descriptions, and assess their adequacy in terms of suitability risk management. |  |  |
| **X** | **X** | **X** | **X** | Assess the adequacy of executive management involvement in handling suitability risk by reviewing minutes and relevant reportings (e.g. approval of internal regulations).  |  |  |
| **X** | **X** | **X** | **X** | Assess the adequacy of the measures taken by the competent bodies with regard to detected and internally reported suitability risk issues (e.g. client complaints) through enquiry and review of the relevant documents. |  |  |
| **X** | **X** | **X** | **X** |  | **Internal controls**Art. 12 para. 4 BOArt. 9 para. 2 FinIAArt. 68 FinIOArt. 21 to 24 FinSAArt. 23 FinSOCircular 2017/1 CG banks, margin no. 14, margin no. 37, margin no. 50, margin no. 60 to 63, margin no. 72 and 73 | *Assess the adequacy of the design of the institution’s internal control system related to the suitability of portfolio management, portfolio-based investment advisory services, investment advisory services for individual transactions and execution-only transactions, notably:*Assess through enquiry and review of relevant documents (policies, internal directives, processes) the adequacy of the design of the internal control system with regard to the following points:* processes for compliance with suitability standards incl. internal guidelines;
* definition, scope and frequency of key controls;
* integrated control activities in the suitability work processes and systems;
* adequate integration of independent control functions (risk control and/or compliance) in the process of suitability risk monitoring; and
* adequate monitoring within the service provider chain.
 | Performance of risk-based function reviews to confirm the operational effectiveness of the internal controls. |   |
| **X** | **X** | **X** | **X** |  | **Reporting**See general requirements on ICS.Circular 2017/1 CG banks, margin no. 46, margin no. 75 to 81, margin no. 91 to 96 | *Assess through enquiry and review of relevant documents the adequacy of internal reporting and escalation procedures related to suitability risks in general, notably:* |  |  |
| **X** | **X** | **X** | **X** | Assess through enquiry and review of relevant documents whether suitability risks, issues and breaches are part of the reporting of the independent control function risk control and/or compliance function). | * Based on the spot checks to be performed in this audit field as a whole, verify whether there are any instances of breaches or clusters of pending items and whether these have been adequately reported and escalated.
* Inspect a risk-based reporting sample to establish whether appropriate information about suitability risks / topics (potential risk sources linked to compliance with conduct rules) is included.
* Verify whether a risk-based sample of reportings to the executive management and board of directors cover suitability risks / topics and whether the governing bodies adhered to their monitoring duties.
 |  |
| **X** | **X** | **X** | **X** | Assess through enquiry and review of relevant documents whether Internal Audit has adequately taken into account suitability risks in its audit plan (risk-based approach). |  |  |
| *Confirmation that the internal processes for compliance with conduct rules related to □ the management of financial instruments (portfolio management), □ investment advisory services (comprising portfolio-based investment advisory services and transaction-related investment advisory services) and □ the acquisition or disposal of financial instruments / acceptance and submission of orders (execution-only transactions) were adequate and appropriate, and complied with where the audit depth was “audit”.**Bestätigung, dass die internen Prozesse zur Einhaltung der Verhaltensregeln gegenüber Kunden bezüglich □ Verwaltung von Finanzinstrumenten (Vermögensverwaltung), □ Anlageberatung (bestehend aus portfoliobasierter Anlageberatung und transaktionsbezogener Anlageberatung) und □ Erwerb oder Veräusserung von Finanzinstrumenten bzw. Annahme und Übermittlung von Aufträgen (Execution-only-Geschäfte) angemessen waren und im Fall der Prüftiefe „Prüfung“ eingehalten wurden.**Confirmation du caractère approprié des processus internes visant à respecter les règles de comportement envers la clientèle concernant □ la gestion d’instruments financiers (gestion de fortune), □ le conseil en placement (conseil en placement pour le portefeuille et conseil en placement pour les transactions) et □ l’acquisition ou aliénation d’instruments financiers, la réception et transmission d’ordres* (execution only), *ainsi que de leur respect en cas d’étendue d’audit « audit ».* |
| **X** | **X** | **X** | **X** |  | **Client segmentation and financial services**Art. 3 let. c, Art. 4 and 5 FinSAArt. 3 para. 2, Art. 3 para. 3, Art. 4 and 5, Art. 11 para. 1, Art. 22 FinSO | Assess through enquiry and review of relevant documents whether the client segmentation processes (incl. opting-in and opting-out) and the regular review of the client segmentation (private clients, professional clients, institutional clients) is adequate.Assess through enquiry and review of relevant documents whether the processes for categorising clients into the relevant financial services and for reviewing these processes if clients’ needs have changed over time are adequate (management of financial instruments (portfolio management), portfolio-based investment advisory services, investment advisory services for individual transactions and execution-only transactions). | Taking a risk-based approach, verify whether the client segmentation has been adequately implemented and whether any opting-in or opting-out has been performed and correspondingly documented in accordance with the legal requirements. |  |
|  |  |  | **X** |  | Based on a risk-based sample of written records (e.g. visit reports), verify that with execution-only clients there are no indications of any investment advisory or portfolio management services carried out. |  |
| **X** | **X** |  |  |  | **Assessment of suitability**Art. 12 and 13 para. 3 FinSAArt. 16 and 17, Art. 22 FinSO | Assess through enquiry and review of relevant documents whether the processes for creating and updating clients’ risk profiles, enquiring into their financial circumstances, investment objectives, knowledge and experience of financial services, and defining investment strategies are adequate and ensure that a risk profile is created and updated for all private clients. | * Based on a risk-based sample, verify whether risk profiles have been created and are regularly updated for private clients (i.e. for new and existing clients).
* Based on a risk-based sample, verify whether enquiries into private clients’ financial circumstances, investment objectives, knowledge and experience have been made and documented in full.
* Based on a risk-based sample, verify whether professional clients’ investment objectives have been ascertained.
 |  |
| **X** | **X** |  |  | Assess through enquiry and review of relevant documents the adequacy of the processes to determine the risk profile and investment strategies based on this, and to assess the appropriateness and suitability of the financial instruments (e.g. analysis and classification of financial instruments, approval processes for new financial instruments, rating methods for risks of financial instruments) and their regular assessment (based on suitable, combining factors such as creditworthiness, value at risk, liquidity, complexity). | On the basis of a risk-based sample, test whether the initial and periodic assessment of financial instruments’ adequacy and suitability is adequate. |  |
| **X** | **X** |  |  | Assess through enquiry and review of relevant documents the adequacy of the processes to determine conformity between client risk profiles, investment strategies and portfolio risk profile and in the case of portfolio management or portfolio-based investment advisory services with a corresponding agreement, that these processes are regularly monitored. | Examine for a risk-based sample if there are discrepancies between client risk profiles, investment strategies and portfolio risk profile, the appropriateness of the dedicated reporting and of the measures taken for solving identified discrepancies. |  |
|  |  | **X** |  |  | **Assessment of appropriateness**Art. 11 FinSAArt. 16, Art. 22 FinSO | Assess through enquiry and review of relevant documents the adequacy of the processes to determine the knowledge and experience with regard to financial instruments and ensure that this information is obtained for all private clients. | * On the basis of a risk-based sample, test whether private clients’ knowledge and experience with regard to financial instruments has been obtained.
* On the basis of a risk-based sample, test whether the recommended financial instruments were appropriate for the clients.
 |  |
| **X** | **X** | **X** | **X** |  | **Documentation**Art. 15 and 16 FinSAArt. 18 and 19, Art. 22 FinSO | Assess through enquiry and review of relevant documents the adequacy of the documentation processes. Also assess whether the financial service provider is able to fulfil the accountability obligations within the required time frame in accordance with Art. 18 FinSO. |  |  |
|  | **X** | **X** |  | Assess through enquiry and review of relevant documents the adequacy of the processes to document clients’ needs and the reasons for each recommendation resulting in the acquisition or disposal of a financial instrument (Art. 15 para. 2 FinSA). | On the basis of a risk-based sample of purchases and sales of financial instruments, test firstly, whether the documentation process has been carried out and secondly, whether the documented content meets the minimum requirements. |  |
| **X** | **X** | **X** | **X** |  | **Best execution of client orders[[4]](#footnote-5)**Art. 17 and 18 FinSAArt. 21 and 22 FinSO | Assess through enquiry and review of relevant documents the appropriateness of internal guidelines (documentation), systems and control processes for the best execution of client orders and that the principle of equal treatment is being applied. | Obtain relevant documents and on the basis of a risk-based sample of executed client orders, test whether the criteria defined by the institution (price, costs, speed and probability) to achieve the best-possible result in terms of cost, timing and quality can be substantiated. |  |
| **X** | **X** | **X** | **X** | Assess through enquiry and review of relevant documents whether the financial service provider has verified the selection criteria for the place of execution at least once a year. |  |  |
| **X** | **X** | **X** | **X** |  | **Use of clients' financial instruments[[5]](#footnote-6)**Art. 19 FinSA | Assess through enquiry and review of relevant documents the adequacy of the processes and contract templates. | On the basis of a risk-based sample of contracts, account and custody account statements, test whether the regulations have been met. |  |
| **X** | **X** | **X** | **X** |  | **Duty to provide information (incl. risk disclosure)**Art. 8, Art. 9, Art. 13 para. 2 and Art. 14 FinSAArt. 6 to 15, Art. 22, Art. 88 to 91 FinSOAnnexes 9 and 10 FinSO | Assess through enquiry and review of relevant documents the adequacy of the instruments and processes, including documentation, used to inform clients of the required content (sales and advisory processes). | * On the basis of a risk-based sample, test whether the information about the general risks associated with financial instruments is provided in a correct, timely and complete manner.
* On the basis of a risk-based sample, test whether information about the risks and costs associated with financial services is provided in a correct, timely and complete manner.
* On the basis of a risk-based sample, test whether the information about the business affiliations with third parties is provided in a correct, timely and complete manner.
* Based on the findings from other audit procedures performed, assess whether there is any indication of any breaches of the obligation to identify advertising (e.g. website, brochures, client letters).
 |  |
| **X** | **X** | **X** |  |  | On the basis of a risk-based sample, test whether clients have been informed about the use of the bank’s own investment products and any potential restricted market offering. |  |
| **X** | **X** |  |  |  | On the basis of a risk-based sample, test whether clients have been correctly and fully informed about the risks associated with the investment strategy. |  |
|  |  | **X** |  |  | On the basis of a risk-based sample, test whether clients have been correctly and fully informed about any specific risks and about one-time and recurring costs incurred when acquiring or disposing of financial instruments. |  |
|  |  |  | **X** |  | * On the basis of a risk-based sample, test whether the affected clients have been informed in good time that no appropriateness or suitability review had been carried out.
* On the basis of a risk-based sample, test whether private clients have been provided with a basic information sheet about the financial instruments, if such a basic information sheet was already available (Art. 8 para. 4 FinSA).
 |  |
|  | **X** | **X** |  |  | * On the basis of a risk-based sample, test whether private clients have been provided with a basic information sheet for the recommended financial instruments.
* On the basis of a risk-based sample, test whether the content of the basic information sheets provided to private clients meets the relevant requirements.
 |  |
| **X** | **X** |  |  |  | On the basis of a risk-based sample, test whether the clients have been informed in good time if it was not possible to assess the appropriateness or suitability. |  |
|  |  | **X** |  | Assess through enquiry and review of relevant documents whether a process has been defined to identify and advise against financial instruments that are not appropriate for clients. | On the basis of a risk-based sample, test whether the financial service provider advised clients in good time against financial instruments that it believed were not appropriate for these clients. |  |
| **X** | **X** | **X** | **X** |  | **Compensation from third parties**Art. 26 FinSAArt. 29 FinSO | Assess through enquiry and review of relevant documents the adequacy of the instruments and processes, including documentation, used to inform clients of compensation payments from third parties. | * If compensation payments are retained: on the basis of a risk-based sample, review the documentation used to inform clients of the existence and extent of compensation payments received by the bank (incl. general conditions) and check them for adequacy and correctness (content).
* If compensation payments are retained: on the basis of a risk-based sample, test whether the clients have been expressly notified in advance of the compensation payments and whether they have waived their right to them (time/date and waiver).
* If compensation payments are forwarded to clients: on the basis of a risk-based sample, test whether the compensation payments have been forwarded in full.
 |  |
| **X** | **X** | **X** | **X** |  | **Conflicts of interest**Art. 25 and 27 FinSAArt. 24 to 30 FinSO | Assess through enquiry and review of relevant documents the adequacy of the organisational measures in place to prevent or at least reduce conflicts of interest. |  |  |
| **X** | **X** | **X** | **X** | Assess through enquiry and review of relevant documents whether clients have been informed of any potential conflicts of interest if disadvantages for clients cannot be excluded (also with regard to the use of the bank’s own investment products). | On the basis of a risk-based sample, test whether clients have been actively informed of any potential conflicts of interest and whether the information was sufficient in terms of quality and content. |  |
| *Confirmation of the appropriateness of the measures taken to provide training and further education in □ the management of financial instruments (portfolio management), □ investment advisory services (comprising portfolio-based investment advisory services and transaction-related investment advisory services) and □ the acquisition or disposal of financial instruments / acceptance and submission of orders (execution-only transactions)**Bestätigung, dass die Massnahmen im Bereich der Aus- und Weiterbildung bezüglich □ Verwaltung von Finanzinstrumenten (Vermögensverwaltung), □ Anlageberatung (bestehend aus portfoliobasierter Anlageberatung und transaktionsbezogener Anlageberatung) und □ Erwerb oder Veräusserung von Finanzinstrumenten bzw. Annahme und Übermittlung von Aufträgen (Execution-only-Geschäfte) angemessen waren.* *Confirmation du caractère approprié des mesures portant sur la formation initiale et continue en matière □ de gestion d’instruments financiers (gestion de fortune), □ de conseil en placement (conseil en placement pour le portefeuille et conseil en placement pour des transactions) et □ d’acquisition ou aliénation d’instruments financiers, de réception et transmission d’ordres* (execution only). |
| **X** | **X** | **X** | **X** |  | **Training and further education**Art. 6 and 22 FinSAArt. 23 FinSO | Assess through enquiry and review of relevant documents the appropriateness of the training programmes and/or certifications for client advisors and other employees with client contact as well as the policy to refresh one’s knowledge/further education on a regular basis. | On the basis of a risk-based sample, test whether employees have completed the necessary training courses / certifications / further education courses and, where applicable, that they have passed the relevant exams. |  |

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1. Confirmation applies to the audit fields covered effectively. Please check the appropriate boxes. [↑](#footnote-ref-2)
2. Confirmation applies to the audit fields covered effectively. Please check the appropriate boxes. [↑](#footnote-ref-3)
3. Confirmation applies to the audit fields covered effectively. Please check the appropriate boxes. [↑](#footnote-ref-4)
4. The audit procedures for Arts. 17-19 FinSA are only to be conducted if the audit field "Compliance with rules of conduct in connection with brokerage and custody business" is not applicable or if no intervention for this is planned (inherent risk (gross) = low). [↑](#footnote-ref-5)
5. The audit procedures for Arts. 17-19 FinSA are only to be conducted if the audit field "Compliance with rules of conduct in connection with brokerage and custody business" is not applicable or if no intervention for this is planned (inherent risk (gross) = low). [↑](#footnote-ref-6)