

## ICMA Private Wealth Management Charter of Quality

### Preamble

1. The Private Wealth Management Charter of Quality (“the Charter of Quality”) is a voluntary standard of recommended minimum good market practice. It is designed to be consistent with all relevant regulations at an international, European Union and national level, and to complement anti-money laundering directives and principles such as the Wolfsberg Principles on Anti Money Laundering and the Global recommendations of the Financial Action Task Force.
2. The Private Wealth Management industry specialises in managing the financial assets of wealthy private individuals and their families. In many countries the firms that undertake this business are known as ‘private banks’ and will be referred to as such in this document.
3. The purpose of the Charter of Quality, which has been established voluntarily by a group of private banks who are also members of the International Capital Market Association (ICMA) or of the national associations that participate in the ICMA Private Banking Working Group, is to set out in a single document the high standards of integrity, transparency and professionalism which participating private banks meet in their dealings with their clients, counterparties, supervisors and regulators.
4. The Charter of Quality sets forth the functions of private banks and the internal policies and procedures implemented for the appropriate conduct of their relationships with all external stakeholders. It is understood that the establishment of relevant internal policies and procedures, and the compliance with the Charter of Quality and such internal policies and procedures, respectively, is solely the responsibility of the management of the firms.
5. Private banks will self-certify that they have endorsed and complied with the Charter of Quality. Signatories of the Private Wealth Management Charter of Quality commit *de facto* to the highest standards of the industry, in customer relations and protection of clients’ interests.
6. The Charter of Quality is a public document. It is posted on the ICMA website and those of other signatories at their discretion, along with a list of the private banks which have endorsed the Charter.

The status of the Charter of Quality is expected to be reviewed from time to time to ensure consistency of the Charter with evolving relevant regulatory developments and quality standards of private banks.

The signatories of the Charter of Quality have adopted the following three principles and the requirements ensuing from them:

- integrity,
- transparency, and
- professionalism

## 1. Principle of integrity

### 1. 1. Integrity in business relations

#### 1.1.1. Knowledge of clients

Private banks ensure that they have good knowledge of their clients by the following methods:

- *Identification*: Private banks take the necessary actions to establish the identity of their clients and beneficial owners before conducting any transaction. Personal knowledge of private individual clients by the bank is necessary. For corporate entities, the ultimate beneficiaries and persons in control of funds have to be identified.
- *Diligence*: Private banks collect the necessary information on their clients, which may include their domicile, the reason and purpose of beginning a business relationship, the economic origin of the wealth and an estimate of it, the source of transferred funds and the anticipated activity on the account.
- *Types of business relations*: The requirement to know the client applies as soon as a business relationship is created, whether an account is opened or not. Private banks do not accept anonymous accounts.
- *Regularly updated records*: Private banks ensure that they have up-to-date information about their clients.

#### 1.1.2. Prevention of money laundering, financing of terrorism and external fraud

- *Appropriate organisation*: Private banks establish policies and procedures for preventing money laundering and other criminal activities. They put in place an efficient mechanism of transaction analysis and fraud detection. An employee responsible for money laundering prevention is appointed in the organisation. This position is usually separate from operational and commercial departments.
- *Co-operation with authorities*: Private banks co-operate with the authorities and make the declarations and disclosures required if they suspect criminal activities.

## **1.2. Integrity of markets, financial products and services**

### *1.2.1. Markets, financial products and services*

Private banks ensure that their first priority is that financial products and services provided serve the interests of clients. They establish rules for this purpose:

- treating clients fairly when accessing financial markets,
- respecting the risk profile and level of financial knowledge and experience of each client,
- respecting clients' investment strategies,
- meeting clients' needs,
- determining portfolio turnover according only to clients' interests,
- acting as agents and fulfilling their fiduciary duty to clients.

Any provider of financial services must avoid actively, systematically or knowingly contributing to tax evasion or any action contrary to the laws and regulations of the jurisdictions under which financial services are provided. Private banks undertake to make available to their clients data enabling them to complete their tax declaration.

### *1.2.2. Market abuse*

Private banks establish policies and procedures in order to detect indications of market abuse, such as insider trading and market manipulation. In particular, these policies provide for both detection of suspected market abuse and determining appropriate notification to the authorities.

## **1.3. Integrity of staff**

### *1.3.1. Recruitment criteria*

Private banks undertake to recruit staff who demonstrate high standards of integrity and ethics.

### *1.3.2. Remuneration policy*

Private banks undertake to put in place a remuneration policy intended to safeguard clients' interests and avoid conflicts of interest. The criteria determining the variable part of the remuneration of employees whose action has an impact on results, including executive employees, are based in particular on:

- a fair balance between fixed and variable components (depending on the position held by the employee),
- effective performance,
- clients', and therefore the bank's, long-term interest.

### 1.3.3. Prevention of internal fraud

Private banks take measures to prevent the risk of internal fraud: such measures may include *inter alia* security rules related to fund transfers, signature-process rules, monitoring of transactions and proper training.

### 1.3.4. Internal control

Private banks ensure an effective control environment is maintained. External audit together with internal audit and other independent control functions assist in validating private banks' adherence to relevant policies and procedures. For this purpose independent inspection bodies for operational and commercial departments or private banks' own internal audit and control functions may be necessary to check on an on-going basis the proper application of principles of integrity.

## 2. Transparency

### 2.1. Towards clients

Private banks make available to their clients at the outset a clear, appropriate and complete information pack regarding the service being provided. The information pack will enable the client, where applicable, either to select their financial investments or agree to a mandate from a firm to manage the client's portfolio on a discretionary basis with full knowledge, and to use also on-line information services. Information packs may contain *inter alia*:

- details of the financial risks associated with the investment strategy the client has agreed to and with the financial instruments the client has accepted should be invested in;
- a statement of the expenses and commissions charged by the bank for each product or service,
- where applicable, the performance benchmarks against which the investments will be measured

During the provision of the service the private bank provides information to the client which covers *inter alia*:

- an ongoing valuation of the client's investments,
- the income returned,
- where applicable, the performance of the investments against benchmarks.

Private banks also undertake to provide their clients with information on each transaction made and to provide a comprehensive report of the status of their portfolio.

### 2.2. Regarding the regulatory environment

#### 2.2.1. Guaranteed access to information on request

Private banks provide the relevant regulatory and other authorities of the jurisdictions where they are established access to any information that they require within the framework of currently applicable data protection legislation and to the extent permitted by

relevant law and regulation governing disclosures to be made to the authorities. This guarantee covers any information given in accordance with the relevant law and regulations in the jurisdictions where customers' accounts are held. The information issued is strictly limited to the request made and must not jeopardize the rules of confidentiality.

Where applicable, private banks also undertake to meet their obligations for the administrative exchange of information.

#### *2.2.2. Collection of taxes*

Private banks undertake to ensure the collection of taxes that they have an obligation to collect.

### **3. Professionalism**

#### **3.1. Primacy of clients' legitimate interests**

Private banks apply this principle to all the transactions that they conduct for their clients, in particular in the following fields.

##### *3.1.1. Respect for privacy and professional discretion*

Private banks maintain a tradition of respecting privacy and exercise professional discretion while abiding by the laws of the country where they are established. They establish rules protecting the confidentiality of client information in all formats. They put in place policies and procedures intended to safeguard this information, in particular:

- measures to protect confidential data,
- restrictions on the disclosure of information limited to those who "need to know",
- access rules for staff to buildings, systems and IT tasks,
- rules of access to buildings for outsiders.

In addition, regular training is available to staff on data management and security for the purposes of continuing professional development, including the need for discretion in the performance of work.

##### *3.1.2. Management of conflicts of interest*

Private banks adopt policies for the management of conflicts of interest intended to avoid such conflicts between the bank and its clients, between one client and another and between staff and clients. This policy must be set out in a document which clients can access at their request.

##### *3.1.3. Best execution of instructions*

Private banks adopt a "Best Execution" policy which must apply to all transactions for private clients. This policy is made available to clients upon their request.

##### *3.1.4. Complaints management*

Private banks implement appropriate arrangements for complaints management in order to handle any customer complaints.

## **3.2. Efficiency**

### *3.2.1. Efficiency of provision of information to clients*

Private banks ensure the quality of the information sent to clients and the services they render. This applies in particular to:

- the complete up-to-date character of any reports they make,
- time-efficient processes for settling any transactions they carry out,
- data provided on time for tax reporting purposes,
- the accuracy and fairness of any calculations,
- clarity of information.

### *3.2.2. Efficiency of staff*

Private banks permanently ensure that their staff act in the clients' best interests:

- with responsibility,
- with competence,
- in compliance with professional rules.

For this purpose private banks make available training for their staff.