

# Important Information for Clients with regard to Investment Services

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HAUCK  
AUFHÄUSER  
LAMPE



# Investment is a Matter of Trust

Since its foundation in Bielefeld, Frankfurt and Munich, Hauck Aufhäuser Lampe Privatbank AG has always set great store in independence, corporate responsibility and a close relationship with its clients. Fiercely independent, we strive to the best of our abilities to understand as precisely as possible your quite individual situation, concerns and goals. We work closely with you to develop an investment concept consisting of bespoke, integrated solutions that ideally suit your personal wishes and needs.

In order to provide you with individually tailored advice and, where appropriate, asset management services, we therefore require information about your knowledge and experience with regard to transactions in certain types of securities, your financial situation, including your ability to bear losses, as well as your investment objectives, including your risk tolerance.\* The German Securities Trading Act (WpHG) places a requirement on us to collect and document such information. This requirement forms the basis for responsible investment advisory services.

If you have appointed an external asset manager, consultant or sales partner to manage your investments, we are your reliable depositary bank.

## Information for Eligible Counterparties

Eligible counterparties may apply to the bank to be treated as clients with a higher level of protection (retail investors or professional clients). This application is to be made in writing to the bank and shall include information on whether the treatment as a retail investor or professional client relates to one or more investment service(s) or to one or more transaction(s) or to one or more transaction/product type(s).

In order to execute orders at the desired higher level of protection, following submission of the application for reclassification, the bank must obtain information from the eligible counterparty in accordance with the stipulations of the German Securities Trading Act (WpHG). This information must then be recorded in the system. For this reason, when using this option for the first time, please plan a lead time of about one week prior to order placement.

## Supervisory Changes – MiFID II

Over recent years, a range of European legal requirements have been put in place for investment service providers which are, in particular, designed to protect individual clients and investors as well as to improve market transparency. The first step involved the German implementation of the European “Markets in Financial Instruments Directive” (MiFID), which entered into effect on November 1, 2007. The German implementation of the “Markets in Financial Instruments Directive II” (MiFID II) entered into effect on January 3, 2018..

Many of the changes to German law will be primarily implemented through the German Securities Trading Act. In the following, we would like to briefly present some of the key content and explain how we will implement the requirements.

\* We would like to draw your attention to the fact that, for statutory reasons, in the course of execution-only business (i.e. not including advisory services or recommendations on our part), we are neither required to, nor will we, appraise your securities orders in non-complex financial instruments in terms of the appropriateness of the financial instruments or services.

## Investment Advice and Independent fee-based Investment Advice

The German Securities Trading Act stipulates that investment service providers are generally able to offer two forms of investment advice:

Independent fee-based investment advice largely involves the provision of investment advice on the basis of fees that are solely paid by the client. In this variant, the independent fee-based investment advisor is not permitted to accept or retain any third-party benefits, such as in the form of commission payments or similar. In addition, independent fee-based investment advice must take into account a sufficient range of financial instruments offered on the market that are adequately diversified in terms of nature, issuer or provider and are not limited to financial instruments which are issued or offered by the advising investment services provider itself, or whose providers or issuers are closely linked to the investment services provider or otherwise have such close legal or commercial links with it that could compromise the independence of the investment advice.

However, in the case of investment advice relating to financial instruments that is not independent fee-based investment advice, the bank may accept benefits where this is permitted under the provisions of the German Securities Trading Act (from January 3, 2018, in particular section 70 of the WpHG) and provided that the receipt of such benefits is disclosed to the client. At the same time, the receipt of such benefits shall serve to improve quality for the client. For more information, please refer to the brochure "Information on Handling Conflicts of Interest". In addition, the bank shall provide the client in the form of an annual report and at any time upon request with details of any benefits received in a timely manner prior to entering into the transaction.

Hauck Aufhäuser Lampe Privatbank AG does not offer independent fee-based investment advice.

## Range of Services for Investment Advice (Investment Advisory Universe)

For the purpose of providing investment advice to clients of Hauck Aufhäuser Lampe Privatbank AG, the bank selects certain financial instruments that are reflected within the investment advisory universe. It is not permitted to provide investment advice on other financial instruments outside the investment advisory universe.

## Product Bundles

"Bundled products" means combining products or combining products and financial services into one new product. This could involve bundling financial instruments or bundling financial services. This also includes, for example, fee models that comprise several investment services and non-core investment services provided by the bank. During the initial meeting, Hauck Aufhäuser Lampe Privatbank AG will inform its clients about the available fee models and how they are structured and whether the various components can be purchased separately.

# Transparency is in the Best Interest of our Clients

We offer you as a service in the securities business practically all types of transactions in financial instruments, particularly in connection with the acquisition, sale and safekeeping of securities as well as asset management.

You receive extensive information from us – such as the “Basic Information on Securities and Other Investments” – that provides you with a comprehensive overview of the most important forms of securities investment and the typical associated opportunities and risks. Furthermore, we would like to point out that prospectuses for publicly offered securities are made available by the issuers of such securities (usually on the issuers’ websites). Of course, you can also request a print version free of charge from us.

If necessary, you will be given additional information in the course of providing tailored advice prior to the performance of any investment service or non-core investment service. We fulfill our information obligations as stipulated in the German Securities Trading Act through providing detailed preliminary information and transparent contractual documents. The sales partners, consultants and asset managers who work with us are also required to comply with this statutory obligation.

Unless otherwise agreed, we faithfully execute the orders which we accept from our clients or their external asset managers for securities transactions in writing, in personal meetings with our advisers and also via telephone.

We would like to inform you that, starting in 2018, we are required to record all telephone calls and communication – including via electronic media – relating to the provision of investment services and activities in connection with the acceptance, forwarding, transmission and execution of client orders. The recording obligation shall also apply even if calls do not result in the conclusion of securities transactions or the performance of non-core investment services.

Please note that it is not permitted by law to conduct the above-mentioned conversations if they are not recorded. The legislature grants clients the right to request a copy of the recordings of calls and communication within the stipulated retention period. The retention period for recordings is generally five years (seven years in individual cases), meaning that a copy of the recordings may also be requested within this five-year period.

The aim of these measures is to improve investor protection and market transparency, in particular with a view to preserving evidence and monitoring compliance with legal requirements in the securities business.

You will receive further information and agreements – where required and relevant – in the course of the securities account opening process.

The prevailing language for the contractual relationship is German. Our contact details can be found on the back of this brochure, on our headed paper or also the website of the bank ([www.hal-privatbank.com](http://www.hal-privatbank.com)).

## Cost Transparency

The legislature stipulates that before (ex ante) and after (ex post) concluding a transaction, each client will receive information on the costs incurred in connection with the concluded transactions.

Before concluding the transaction (ex ante), the client must be informed of the costs in “one sum” and “as a percentage”. Relevant costs are such costs for the investment services and the financial instrument.

Furthermore, the client will subsequently (ex post) receive a cumulative statement of costs for his transactions where he has ongoing, long-term business relations with the bank.

## Periodic Statement of Suitability as Part of Investment Advisory Services

As an additional service, the legislature envisages the possibility for banks to provide their clients with a so-called “periodic statement of suitability”.

For example, clients could be provided with information once annually on whether the financial instruments they hold are still suitable for them. Hauck Aufhäuser Lampe Privatbank AG does not provide such periodic statements of suitability. The client's custody account and the financial instruments held in the custody should be monitored by the client himself. By way of alternative, Hauck Aufhäuser Privatbank AG offers a personal meeting with the relevant client advisor at least once a year. Here, it is possible to check individually whether the client's portfolio still meets his investment objectives and investment profile.

## Loss Threshold Warnings

In the case of leveraged products and products with contingent liabilities, as part of its investment advisory services, the bank notifies its clients when the initial value of the financial instrument in question falls by 10%, and thereafter in 10% increments for each loss in value. Individual reports are provided for each financial instrument at the latest on the following business day.

Within the framework of financial portfolio management (asset management), the 10% loss threshold warning is issued at portfolio level.

## Target Markets

We would like to inform you about that the bank designates a so-called “target market” for the financial instruments it sells. In so doing, information on the issuer is processed and, if necessary, supplemented. The purpose of the target market is to describe the typical client group for which the product was designed or intended.

We take this target market fully into account in the recommendations we give in connection with the provision of investment advice. To this end, we determine a personal target market for each client. This is determined, among other things, by the information collected through the German Securities Trading Act questionnaire (in particular, investment objectives, investment horizon, risk tolerance, financial loss-bearing capacity as well as the client's knowledge and experience – provided that a German Securities Trading Act questionnaire is collected). In certain situations, we believe it may make sense for you to invest in a financial instrument that is not in your target market (for example, as a hedging transaction or as an addition to your portfolio). We document this transparently when providing investment advice.

If you submit orders to us as part of an execution only transaction, we only check the target market criterion of “client category”. In the case of orders that you submit to us for complex financial instruments, we also check your knowledge and experience. All other target market criteria are not taken into account. In both cases, we reserve the right not to execute orders or, in individual cases, to place them only after issuing a warning notice should the financial instruments not correspond to your target market.

# Best Execution of your Orders

The term “best execution” stands for the statutory obligation of financial service providers to execute the orders of their clients on the most favorable terms possible. In addition to the price for the security or financial instrument, best execution includes the transaction costs, the speed of execution and the settlement of the order. Hauck Aufhäuser Lampe Privatbank AG has always been committed to achieving the best possible result for you when executing orders.

This objective applies to all investment service providers within the EU and, in Germany, is enshrined in the German Securities Trading Act. Unless our clients issue us with explicit instructions on the execution venue to which the order is to be directed, our best execution rules shall apply.

The “Order Execution Policy in Financial Instruments” enclosed with this information pack gives you a comprehensive overview of Hauck Aufhäuser Lampe Privatbank AG’s order execution policy along with the products it offers. As always, we will inform you promptly about the execution of your individual order in accordance with No. 3 of the Special Conditions for Securities Transactions.

# Your Interests define our Actions

For Hauck Aufhäuser Lampe Privatbank AG, diligence, compliance with market standards and acting in the best interests of our clients are a matter of course. We have defined both internal standards and specific codes of conduct in order to identify, rule out in advance or appropriately control any potential conflicts of interest.\*

To this end, our bank has established an independent Compliance unit under the direct supervision of the Management Board. It is tasked with monitoring and providing advice on how to appropriately handle unavoidable conflicts of interest in order to ensure that such conflicts of interest do not impact negatively on our clients.

\* For more details, please refer to the brochure “Information on Handling Conflicts of Interest” enclosed herein

## Your Assets are safe with us

Hauck Aufhäuser Lampe Privatbank AG is a member of the Deposit Protection Fund of the Association of German Banks (Einlagensicherungsfonds des Bundesverbandes deutscher Banken e. V.). Information on the scope of assets protected by the Deposit Protection Fund is described in No. 20 of our Standard Terms and Conditions and may be downloaded at any time from [www.bankenverband.de](http://www.bankenverband.de).

Our Special Conditions for Securities Transactions stipulate how securities are kept in custody. Accordingly, domestic securities are generally kept at Clearstream Banking Frankfurt (CBF), provided that they are eligible for collective custody.

Foreign securities are generally kept in custody via Clearstream Banking Luxembourg (CBL), usually in the home market of the respective security or in the country where the acquisition was made. Your securities statement provides information on the country where your securities are kept in custody. You obtain ownership of, or as the case may be, ownership-like rights to, the securities kept in custody by us as described above (see Nos. 11 and 12 of the Special Conditions for Securities Transactions). Your securities are protected from access by third parties in accordance with the respective applicable foreign legal system. Additionally, No. 19 of the Special Conditions for Securities Transactions stipulates our liability with respect to the custody services for your securities.

Furthermore, we have taken a number of measures to protect the rights of our clients over their financial instruments, in particular their securities:

- Records and correct accounting allow the funds and financial instruments held by the bank to be allocated to individual customers at any time and separate them from the bank's assets.
- The Bank reconciles its records and books with those of all third parties with whom it has deposit funds and financial instruments belonging to the clients.
- The Bank shall ensure that all client financial instruments held in custody with a third party can be separated from its financial instruments and those of the third party either by different designation of the accounts kept in the third party's accounts or by measures ensuring a comparable level of protection.
- The Bank shall take organisational precautions to minimise the risk of loss or partial loss of clients' funds and financial instruments or associated rights due to breaches of duty.

## Supervision

Hauck Aufhäuser Lampe Privatbank AG is subject to supervision by the Federal Financial Supervisory Authority (BaFin), Graurheindorfer Straße 108, 53117 Bonn, and Marie-Curie-Straße 24–28, 60439 Frankfurt am Main.

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### **Other private banking locations:**

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Stuttgart

[www.hal-privatbank.com](http://www.hal-privatbank.com)

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