

# Information on the Trading, Capital Market and Research Activities

Legal information regarding the Trading, Capital Market and Research Activities

## 1 Introduction

This document contains information on the trading, capital market and research activities of Zürcher Kantonalbank. In particular, possible conflicts of interest (second chapter), data protection (third chapter), as well as further legal information (fourth chapter) are addressed.

Hereinafter both Zürcher Kantonalbank's clients (owning an account / safe custody account with Zürcher Kantonalbank) and/or its counterparties (without account) are referred to as «**Clients**».

## 2 Conflicts of interest

### 2.1 Client orders

Client orders regarding financial instruments are commission-based transactions executed by Zürcher Kantonalbank on behalf of the Client. Such orders are executed by Zürcher Kantonalbank itself or by third parties commissioned by it. Zürcher Kantonalbank acts in the interest of the Client. However, conflicts of interest may arise when executing transactions for other Clients or transactions on own account at the same time or almost simultaneously.

### 2.2 Fixed price transactions

In the case of fixed price transactions, Zürcher Kantonalbank and the Client conclude a purchase agreement for financial instruments at a certain or determinable price, or enter into a derivative contract at agreed terms.

Entering into such a fixed-price transaction does not constitute a financial service pursuant to the Financial Services Act (FinSa), which means that the corresponding obligations do not apply. Zürcher Kantonalbank has no duty to protect the interests of the Clients in connection with the purchase/sale of financial instruments. It is solely up to the Clients to assess the conditions of the respective transaction and to make the purchase decision.

Zürcher Kantonalbank is compensated to the usual extent within the framework of fixed-price transactions. The following sections 2.3 and 2.4 explain individual specific types of fixed-price transactions and provide information on compensation.

## 2.3 Proprietary transactions and positions

### 2.3.1 Capital market transactions

Zürcher Kantonalbank supports third-party issuers and/or shareholders placing shares, bonds and similar financial instruments for the purpose of raising funds at optimal prices (e.g. IPOs, capital increases of listed companies, block transactions and bond issues). In this context, Zürcher Kantonalbank acquires such financial instruments from the issuer by way of firm underwriting and subsequently sells them to Clients in its own interest at a fixed price. Zürcher Kantonalbank's interest is primarily focused on placing at the best possible price and volume for the issuer. In doing so, Zürcher Kantonalbank aims to act in a fair and transparent manner.

Zürcher Kantonalbank usually is compensated for services in connection with capital market transactions by issuers and/or selling shareholders to the customary extent. Additionally, Zürcher Kantonalbank may charge the Clients a fee for the conclusion of a fixed-price transaction in the context of such capital market transactions.

### 2.3.2 Hedging of risks

If Zürcher Kantonalbank issues financial instruments to Clients, opens a derivative position or holds an inventory in a financial instrument, it will generally hedge the resulting risks. Appropriate hedging transactions may influence the price of financial instruments traded between Zürcher Kantonalbank and the Client or of those issued by Zü-

cher Kantonalbank. Particularly in the following situations, the interest of Zürcher Kantonalbank may differ from those of Clients purchasing said financial instruments:

- Build up a hedge before issuing a financial instrument
- Reduction of the hedge towards the end of the term of a financial instrument

### **2.3.3 Further transactions for Zürcher Kantonalbank's own account**

The fact that Zürcher Kantonalbank may enter into transactions for its own account (apart from hedging) may negatively affect the price for financial instruments traded with Clients or issued by Zürcher Kantonalbank.

### **2.3.4 Proprietary positions**

Zürcher Kantonalbank may have an interest in a financial instrument through its own positions/holdings, which require or prevent actions by Zürcher Kantonalbank that are contrary to the interests of the Client.

### **2.3.5 Market making**

Zürcher Kantonalbank acts as a market maker by continuously offering two-way prices (bid/ask) in a variety of listed and unlisted financial instruments. Zürcher Kantonalbank may trade prior to or alongside a Client's transaction to execute transactions for itself to facilitate execution with other Clients, manage risks, source liquidity or for other reasons. Such activities may impact the prices Zürcher Kantonalbank shows to a Client for a transaction and the liquidity at levels necessary to execute Client orders. They can also trigger stop loss orders, barriers, knock-outs, knock-ins and similar events. In conducting these activities, Zürcher Kantonalbank endeavours to employ reasonably designed means to avoid undue market impact.

## **2.4 Brokerage**

As part of its brokerage services, Zürcher Kantonalbank aims to bring together the interests of buyers as well as sellers in the secondary market, in particular for larger blocks of shares. In doing so, block transactions are concluded or interested investors are sought within the framework of an accelerated bookbuilding process.

Block transactions may be structured as fixed-price transactions or as commission-based transactions, depending in particular on whether fixed prices are negotiated or not.

Transactions within the framework of an Accelerated bookbuilding process are concluded by Zürcher Kantonalbank with both buyer and seller in its own name and at a fixed price. These transactions qualify as fixed-price transactions.

Within the scope of brokerage services, a fee may be charged to both the buying and selling Client.

## **2.5 Bond-holder representative**

Furthermore, Zürcher Kantonalbank may be mandated as bond-holder representative, resulting in potential conflicts of interests of bond-holders and the issuer, as well as of Zürcher Kantonalbank's own interests in certain situations where actions of the bond-holder representative are required under the terms of the bonds, or the relevant provisions of Swiss law.

## **2.6 Self-Placement**

A conflict of interest may also arise if Zürcher Kantonalbank places securities it has issued (e.g. subordinated bonds, structured products).

## **2.7 Research**

Publications of the research department of Zürcher Kantonalbank can negatively influence the conditions or the value of financial instruments. Possible cases are:

- Zürcher Kantonalbank recommends a title first, then removes it from the recommendation list
- Zürcher Kantonalbank issues a structured product with underlying financial instruments that were recommended and then changes the recommendation for individual underlyings

## **2.8 Price-sensitive information**

Zürcher Kantonalbank may have price-sensitive information regarding issuers or financial instruments. Such information will not be considered when servicing Clients, neither to their disadvantage, nor in their favour. In addition, internal information barriers prevent unnecessary dissemination of such information.

## **2.9 Distribution fee**

Zürcher Kantonalbank offers its customers not only the Group's own, but also third-party products. Sales commissions and the use of proprietary investment products (i.e. issued by Zürcher Kantonalbank or one of its group companies), such as funds and structured products, could

give rise to a conflict of interest on behalf of Zürcher Kantonalbank when it comes to selecting products compared with products that offer no sales commission and third-party products. In the case of proprietary products, this can be due to the fact that Zürcher Kantonalbank assumes other functions (e.g. asset management, trading, custodian) besides product sales and receives remuneration accordingly. Zürcher Kantonalbank informs the Client about this matter and the maximum rates for these compensations. Zürcher Kantonalbank additionally takes appropriate measures in relation to those conflicts of interest.

## **2.10 Performance-related remuneration**

A conflict of interest may arise through performance-related remuneration of employees or agents. Examples include:

- The variable remuneration of a trader which is influenced by the success of his/her trading book
- The variable remuneration of a sales employee who i.e. is determined by the financial instruments placed through him/her

## **2.11 Employee-trading**

Conflicts of interest may also arise due to private trading by employees of Zürcher Kantonalbank. Zürcher Kantonalbank has therefore implemented internal rules, processes and surveillance measures to prevent conflicts of interest between employees and Zürcher Kantonalbank or its Clients.

## **3 Data protection**

### **3.1 Execution of Client Orders**

Zürcher Kantonalbank executes orders according to the provisions of its execution policy and applicable law. The Execution Policy details the measures taken by Zürcher Kantonalbank to achieve the best-possible execution of Client orders to buy or sell financial instruments.

For the execution of Client orders, Zürcher Kantonalbank uses third-party platforms and communication infrastructures to select execution venues, to place requests or orders efficiently and to monitor their execution. These platforms and communication infrastructures receive Client's transaction data that is transmitted in pseudonymous form.

Furthermore, as stated in the Execution Policy, Zürcher Kantonalbank has developed procedures and methods to

review the execution quality achieved. In order to assess the execution quality of execution venues like trading venues and brokers, Zürcher Kantonalbank can appoint an independent domestic or foreign Transaction Cost Analysis Provider («TCA-Provider») and make the transaction data of the Clients available to it for this purpose. The Client's transaction data will be transmitted in pseudonymised form.

### **3.2 FX market risk management**

Zürcher Kantonalbank carries out the hedging of foreign exchange and precious metal orders via an external software provider in a computer centre abroad. Zürcher Kantonalbank only transmits transaction data only in pseudonymised form. Market risk management data is currently being transferred to a computer centre in the United Kingdom (London).

### **3.3 Compliance with Market abuse regulation**

Zürcher Kantonalbank operates an automated transaction monitoring system for the detection of market abuse provided by an external software provider in a computer centre in Switzerland. For this purpose Zürcher Kantonalbank transmits transaction data in pseudonymised form. The software provider has limited access to the computer centre in Switzerland to provide software maintenance.

## **4 Money Market Transactions**

When entering into money market transactions with Zürcher Kantonalbank, foreign currencies will be placed either within or outside the respective currency area. Zürcher Kantonalbank selects its correspondent banks with customary due diligence. Clients subsequently bear the consequences of public-law measures (e.g. prohibitions of payments or transfers) in respect to money placed with Zürcher Kantonalbank. If it appears difficult or impossible for Zürcher Kantonalbank to transfer the money, its obligations are restricted to establishing a credit entry within the respective currency area at a correspondent bank or a bank named by the Client, provided the establishment of such a credit entry is feasible.

January 2022