

Valid from 1 January 2017

Guideline on basic standards for the assessment of knowledge and competence of the client advisors of banks

1 Preamble

Purpose of the guideline

- Banks in Liechtenstein have undertaken to observe the highest international standards of quality and professionalism in the provision of services for an international clientele. They set great store by professional competence, loyalty and integrity on the part of their employees. They constantly motivate their employees to achieve the best possible results on a sustainable basis and offer them suitable options for training and CPD (continuing professional development). Against this background the banks have decided to lay down a uniform basic standard for the required knowledge and competence of their client advisors, and this basic standard is set out in this guideline.
- In this guideline only the masculine form is used for reasons of simplicity. It naturally includes the feminine form in all cases..

Content of the guideline

- This guideline for banks as financial services providers
 - defines the Group-wide, basic sector-specific standards for assessing the knowledge and competence of client advisors,
 - describes how proof is obtained of compliance with the basic standards with regard to the preservation and updating of the knowledge and competence of client advisors and
 - defines the responsibilities of the bank as a financial services provider.
- This guideline is binding and applies to all LBV member banks. The member banks are obliged to issue internal instructions / regulations in order to implement this guideline.

Basis

- ESMA/2015/1886 Guidelines for the assessment of knowledge and competence of 22 March 2016.

- In addition, account is taken of the regulatory requirements of other countries with regard to the assessment of knowledge and competence..

Definition of terms

- "Client advisor" means a natural person who provides investment advice for clients in the name of the bank or who supplies information concerning investment products, securities services or ancillary services.
- "Appropriate qualification" means a qualification, any other assessment or any other training course that meets the criteria set out in this guideline.
- "Appropriate experience" means that through his track record the employee has proved that he is in a position to provide the appropriate services. The employee must have gained this track record over a period of at least six months on the basis of full-time equivalents. If an employee has more than five years' experience it is assumed that he has the necessary knowledge and competence.
- "Qualified person" means a person who meets the basic standard in the corresponding segment and has the necessary knowledge and competence to act as a competent supervisor. The level and extent of the supervision should be geared towards the corresponding qualification and the corresponding experience of the employee under supervision. In the case of appropriate services for clients the qualified person has the same responsibility as if he himself were to provide this service for clients.
- "Appropriate service" means the provision of investment advice for clients or the supply of information concerning financial instruments.

2 Basic sector-specific standards bank

- The Basic Sector-Specific Standards Bank for the assessment of knowledge and competence are based on the ESMA guidelines, in terms of their contents and requirements. The necessary knowledge and competence fall into six areas.

Education

- The employee has successfully completed education on secondary school level II (such as a course of vocational training or a higher school-leaving certificate) or higher.

Banking expertise (sepcific to function)

- Qualifications such as commercial training in banking and Bank entry for secondary school graduates (BEM) meet the basic standard of the sector with regard to banking expertise (in accordance with the ESMA guidelines chapters V.II and V.III, with the necessary modifications) where the client advisor provides a financial service:
 - Sound knowledge of economic issues
 - Knowledge of the effects of economic indicators on markets
 - Knowledge of the fundamentals of portfolio theory

- Knowledge of the products offered and their risk structure and of total transaction costs
 - Knowledge of the fundamental points of tax effects of financial products
 - Identifying and assessing the needs and aims of clients
- Specialist training courses that meet the above-mentioned criteria may be regarded as equivalent.

Experience

- The employee must have gained this experience over a period of six months on the basis of full-time equivalents. Depending on functions / segments the period of necessary experience in the area of activity extends to up to twelve months (see Annex I).
- Three months of experience are recognised for a commercial training in banking and a Bank entry for secondary school graduates (BEM). If an employee has more than five years' experience he is assumed to have the necessary knowledge and competence.

Product knowledge

- The employee knows the banking products and product processes on offer in the necessary depth, depending on function / segment.

Regulatory knowledge

- The employee has knowledge of all regulations of relevance for the function and is able to apply them in meetings with clients..

Code of conduct

The employee knows the required obligations concerning information and investigation in meetings with clients, as regards the legal requirements in relation to

- The duty to supply information,
- The appropriateness and suitability of financial services
- Documentation and accountability and
- Transparency and due diligence when handling client orders

3 Assessment of knowledge and competence

- Banks have an obligation to ensure that (a) client advisors fulfil the basic standards set by the sector in the sense of the "appropriate qualification" and/or "appropriate experience" and (b) that the requirements are adapted to the specific function that the client advisor has within the organisation of the financial service provider.

4 Persons training to obtain an appropriate qualification

Lateral entrants

- Lateral entrants preparing for a suitable qualification are entitled to advise customers as long as they are supervised within the framework of the defined activity by a qualified person who meets the basic sector-specific standards in accordance with the present guideline..

Learners of a commercial training in banking, secondary school graduates BEM

- Learners of a commercial training in banking and secondary school graduates BEM meet the Basic Sector-Specific Standards Bank regarding training in accordance with the ESMA guidelines if they successfully complete their course.
- Before the successful completion of their course they are entitled to advise clients as long as they are supervised during their defined activities by a qualified person who fulfils the basic sector-specific standards in accordance with the present guideline..

5 Maintenance and updating of knowledge and competence in accordance with the basic sector specific standards bank

Basic principle

- Client advisors who have successfully acquired an appropriate qualification must regularly update the relevant knowledge and competence within the framework of their activities through continuing professional development..

Basic standards

- In connection with the maintenance and updating of the knowledge and competence of client advisors, it should be assumed in the case of further work that the competence are being updated through continuing professional development (CPD).
- The bank has a duty to carry out an internal or external review of the need for development and experience on the part of its employees at least once a year and to continually train them in relation to any new bank-specific products. Such a review ensures that the employees have an appropriate qualification, that they are maintaining their knowledge and competence and bringing them up to date through continuing professional development with regard to the appropriate qualification.

6 Responsibility of the bank as a financial service provider

- The bank will ensure that its client advisors meet the basic sector-specific standards for banking. The bank will ensure that the additional requirements are adapted to the specific function that the client advisor has within the organisation of the financial services provider.
- The bank will document compliance with the basic sector-specific standards and the additional requirements regarding the maintenance and updating of the knowledge and competence of client advisors and will ensure that records of knowledge and competence of employees are sent to the responsible authority on

request.

- The bank's Compliance function will assess and review compliance with this guideline and will include this review in its annual report to the Board of Directors.

7 Special points / interim guideline

Entry of employees into the target group and exit from the target group

- Persons with an appropriate qualification do not need to provide evidence of continuing professional development beyond the introduction to the bank-specific products and product processes on entering another institution and in the case of internal job changes. These persons will be documented in the ordinary updating process.

Experienced client advisors

- Persons without an appropriate qualification on the implementation of this guideline, but who have already worked as a client advisor for five years, are not obliged to obtain an appropriate qualification as evidence of their training in retrospect.
- Persons without an appropriate qualification in accordance with section I and who have not worked for at least five years as a client advisor are under an obligation to obtain an appropriate qualification as evidence of their training in retrospect within four years. Before the successful completion of their training they are entitled to advise clients under supervision
- Experienced client advisors are subject to the Basic Sector-Specific Standards Bank regarding the maintenance and updating of the necessary knowledge and competence in accordance with section 5.

8 Annex

- Regulatory basic standard / detailed contents
- Sample grid for the assessment of knowledge and competence

9 Effective date

This guideline comes into force on 1 January 2017 and must be implemented by no later than 1 January 2018.

Vaduz, 19.10.2016

Appendix I: Regulatory basic standard / detailed contents

	Ausbildung	Bank- fachwissen	Erfahrung*	Produkte- wissen	Regulatori- sche Kenntnisse	Verhalten- sregeln
Private client advisor	Secondary school level II or higher	Swiss certificate of competence in business level	6 month of experience	Function-relevant products and product processes	Function-relevant regulations	Rules of conduct (MIFID II, FIDLEG)
Individual client advisor	Secondary school level II or higher	Swiss certificate of competence in business level	6 month of experience	Function-relevant products and product processes	Function-relevant regulations	Rules of conduct (MIFID II, FIDLEG)
Corporate client advisor	Secondary school level II or higher	Swiss certificate of competence in business level	6 month of experience	Function-relevant products and product processes	Function-relevant regulations	Rules of conduct (MIFID II, FIDLEG)
Asset manager (Private Banking)	Secondary school level II or higher	Swiss certificate of competence in business level	12 month of experience	Function-relevant products and product processes	Function-relevant regulations	Rules of conduct (MIFID II, FIDLEG)
Client advisor for institutional clients	Secondary school level II or higher	Swiss certificate of competence in business level	12 month of experience	Function-relevant products and product processes	Function-relevant regulations	Rules of conduct (MIFID II, FIDLEG)

*Three months of experience are credited for commercial training in banking and for bank entry for secondary school graduates (BEM).

Annex II: Sample grid for the assessment of knowledge and skills

Knowledge/ skills	Description	Requirements *			Remarks
		met	partially met	not met	
Education	Has successfully completed education at secondary school level II (such as a vocational training or a school-leaving examination) or higher				
Banking expertise	Has the required banking expertise (at least in accordance with the commercial training in banking)				
Experience	Has the necessary experience in the function exercised (at least 6 months with private clients IC/CC: at least 12 months with PA/IC)				
Product knowledge	Has the required depth of knowledge about the products offered (can differentiate depending on bank, application area and function)				
Regulatory knowledge	Has knowledge of all regulations relevant to the function and is able to apply them in meetings with clients				
Rules of conduct	Knows the required obligations concerning information and investigation in meetings with clients				