

GB-A Regulatory audit report custodian bank 2023

Version 08/2023

General information

Applicable to financial years beginning on or after January 1, 2023.

Name of the institution

Place of domicile

FINMA license

FINMA supervisory category

Audit firm

Recipients of the report

Contact person

Given name, surname

Telephone

E-mail

1. Framework conditions governing the audit

This section lists the framework for the audit pursuant to margin no. 64 of FINMA Circular 2013/3.

a) General framework of the audit

Audit scope / mandate

Beginning of the reporting period

End of the reporting period

Execution of the audit

b) Key management personnel involved in the audit

Function <input type="radio"/> Lead auditor <input type="radio"/> Person responsible for the mandate <input type="radio"/> Manager <input type="radio"/> Anti-money-laundering specialists <input type="radio"/> IT specialists <input type="radio"/> Tax specialists <input type="radio"/> Valuation specialists <input type="radio"/> Legal specialists <input checked="" type="radio"/> Other <input style="width: 100%;" type="text"/>	Surname, given name <input style="width: 100%;" type="text"/>	Function level <input type="radio"/> Partner <input type="radio"/> Director <input type="radio"/> Senior Manager <input type="radio"/> Manager <input checked="" type="radio"/> Other <input style="width: 100%;" type="text"/>
Function <input type="radio"/> Lead auditor <input type="radio"/> Person responsible for the mandate <input type="radio"/> Manager <input type="radio"/> Anti-money-laundering specialists <input type="radio"/> IT specialists <input type="radio"/> Tax specialists <input type="radio"/> Valuation specialists <input type="radio"/> Legal specialists <input checked="" type="radio"/> Other <input style="width: 100%;" type="text"/>	Surname, given name <input style="width: 100%;" type="text"/>	Function level <input type="radio"/> Partner <input type="radio"/> Director <input type="radio"/> Senior Manager <input type="radio"/> Manager <input checked="" type="radio"/> Other <input style="width: 100%;" type="text"/>

c) Extent of reliance on work performed by third parties

Was there any reliance on work by third parties?

- Yes No

d) Confirmation of compliance with the audit strategy

The audit firm confirms compliance with the audit strategy.

- Yes No

e) Periods during which the audit procedures were performed

Activity			
<input style="width: 100%;" type="text"/>			
From		Until	
Month of the audit period	Year of the audit period	Month of the audit period	Year of the audit period
<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>
Activity			
<input style="width: 100%;" type="text"/>			
From		Until	
Month of the audit period	Year of the audit period	Month of the audit period	Year of the audit period
<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>

f) Difficulties encountered during the audit

Did any difficulties arise during the audit?

Yes No

e.g. absence of decision makers, refusal to provide timely information or to provide information at all, incomplete / poor quality documentation by the supervised entity.

g) Provision of information by the supervised institution

The audit firm confirms that the supervised entity provided all required information in a timely manner and in the required quality.

Yes No

2. Independence of the audit firm

Audited financial year

The audit firm confirms that it has complied with the independence requirements under the Swiss Code of Obligations, the Audit Oversight Act and Ordinance, the Financial Market Auditing Ordinance and the supplementary provisions on independence under FINMA Circular 2013/3 in the above-mentioned financial year.

Yes No

3. Summary of audit results / further audit findings / confirmations and overall assessment

Presentation of all notices of reservation and recommendations by the audit firm their deadlines for resolution or implementation as well as the measures already taken or to be taken by the supervised entity to resolve the notice of reservation or implement the recommendation (only those reservations or recommendations need to be addressed for which the audit firm had planned own audit procedures according to the audit strategy).

It must be disclosed if the supervised entity does not agree with a notice of reservation or recommendation. Notices of reservation or recommendations that occur repeatedly must be specially designated.

State of implementation or resolution of notices of reservation and recommendations from the previous audit period.

Notices of reservation and recommendations need to be classified in accordance with par. 75.2 of the FINMA circ. 2013/3 "Audit".

3.1 Notices of reservation

For the period under review, we issue notices of reservation based on our audit procedures in accordance with the audit strategy.

Yes No

3.2 Recommendations

For the period under review, we make recommendations based on our audit procedures in accordance with the audit strategy.

Yes No

3.3 Notices of reservation in the prior year's report

Notices of reservation were issued in the prior year's report.

Yes No

3.4 Recommendations in the prior year's report

Recommendations were made in the prior year's report.

Yes No

3.5 Material weaknesses raised by third parties

Have any material weaknesses been raised by third parties (including internal audit) that were not considered by the audit firm as notices of reservation or recommendation in connection with audit procedures in accordance with the audit areas in the audit strategy?

Yes No

3.6 Confirmations of the audit firm

3.6.1 FINMA recommendations and rulings

The audit firm records its audit opinion on compliance with the recommendations and legally binding FINMA rulings in force during the reporting period, stating the audit depth applied.

The audit firm will only respond to legally binding rulings in connection with the approval of the institution or collective investment schemes if they contain explicit provisions which must be audited.

Comments on the implementation of FINMA recommendations in the context of supervisory reviews / deep dives are also dealt with in this section.

Are there any legally binding rulings containing explicit provisions which must be audited?

Yes No

Are there any legally binding FINMA recommendations?

Yes No

3.6.2 Audit report of the prior period

The audit firm confirms that the audit report of the prior period was discussed at a meeting of the board of directors and that minutes were taken.

Yes No

3.7 Overall assessment of the audit firm

3.7.1 Guarantee of irreproachable business conduct and good reputation

The audit did not reveal any findings that would call into question the guarantee of irreproachable business conduct and good reputation of the persons responsible for custodian bank activities.

Yes No

3.7.2 Licensing and approval requirements

The audit did not reveal any findings that would affect the ongoing compliance with the licensing and approval requirements. The notices of reservation listed under 3.1 with a deadline do not call into question compliance with the authorisation requirements as a whole.

Yes No

There are no measures required on the part of FINMA

Yes No

4. Important information on the audited institution

4.1 Controls

The audit firm presents the main relevant controls by area of responsibility of the custodian bank (including a description of the controls and control frequencies) in a table.

No.	Control
1	
	Description of the control
	Control frequencies
No.	Control
2	
	Description of the control
	Control frequencies

4.2 Major changes at the supervised institution

The audit firm presents major changes at the supervised institution, especially regarding the organisation and activities of the custodian bank.

Are there any major changes at the supervised institution?

Yes No

4.3 Future challenges

The audit firm provides a future-oriented outlook on key, especially regulatory, changes that will affect the supervised institution in its function as custodian bank and possible impacts on its business activities, as well as an indication of the measures planned or initiated.

Description

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5. Audit firm's confirmations and summary of the audit procedures performed

By saying "Yes" or "No", the audit firm establishes its audit opinion on the audit points addressed. Where individual audit points are not applicable ("N/A"), this is explained. The statements to be made by the audit firm relate in each case to the ongoing compliance with the requirements mentioned.

If the audit firm answers an audit point with "Yes", it is not necessary to explain how the audit firm arrived at this assessment.

In the case of weaknesses or if an audit point was answered with "No", the audit firm provides a meaningful explanation. In the case of judgements based on facts established by Internal Audit or third parties, a corresponding disclosure is made.

The main audit procedures that form the basis for the audit firm's confirmation must be described (list).

5.1 Governance of the custodian bank function

5.1.1 Independence of the custodian bank from the fund management company/SICAV

Audit area

Governance of the custodian bank function

Audit field

Independence of the custodian bank from the fund management company/SICAV

Explanation

The audit firm assesses the independence of the custodian bank from the fund management company / SICAV. It lists tasks delegated to the custodian bank by the fund management company / SICAV. It also assesses compliance with the legal provisions on the staff and functional independence of the custodian bank from the fund management company or SICAV.

In doing so, it takes into account not only the legal requirements for staff and functional independence but also the appropriateness of the physical separation and assesses the suitability of the data used for the independent custodian bank control. In addition, any activities of the fund management company delegated to the custodian bank must also be taken into account with regard to its independence from the activities associated with the custodian bank function.

Net risk

Intervention in the reporting year

The independence of the custodian bank from the fund management company / SICAV is ensured.

The persons managing the fund management company / SICAV and the custodian bank are independent of each other.

No member of the management board of the custodian bank is simultaneously a member of the management board of the fund management company / SICAV.

The majority of the members of the board of directors of the fund management company / SICAV are independent of the persons entrusted with tasks at the custodian bank in accordance with Art. 73 CISA.

None of the persons authorised to sign on behalf of the fund management company / SICAV is at the same time responsible at the custodian bank for tasks pursuant to Art. 73 CISA.

The confirmations are based on the following audit procedures

References for supplements

Activities delegated to the custodian bank by the fund management company must be listed under 9.1.1.

5.1.2 Internal audit

Audit area

Governance of the custodian bank function

Audit field

Internal audit

Explanation

The audit firm comments on major negative audit results by internal audit in the area of custodian bank activities and the measures taken by the supervised entity in this regard. Material weaknesses identified by the internal audit that affect audit areas without intervention of the audit firm in the reporting year are summarised in section 3.5.

Net risk

Intervention in the reporting year

The internal audit did not identify any material weaknesses at the institution.

The confirmations are based on the following audit procedures

5.2 Internal organisation

5.2.1 Internal organisation and internal control system

Audit area

Internal organisation

Audit field

Internal organisation and internal control system

Explanation

The audit firm assesses the organisational integration of the custodian bank function within the bank.

If custodian bank tasks are delegated to other units of the bank / banking group or performed by third parties, the audit firm assesses the appropriate set-up of the delegation and the monitoring of the delegated activities.

Net risk

Intervention in the reporting year

The governance structure is appropriate with regard to the activity as a custodian bank.

The persons entrusted with the tasks of custodian bank activities have the necessary professional qualifications.

The internal organisation is appropriate with regard to the nature and scope of the custodian bank's activities.	
The authorised institution has an inventory of contracts and directives regarding custodian bank activities and keeps it up to date.	
The measures taken to avoid conflicts of interest within the bank with regard to the custodian bank function are appropriate.	
There is proper functional separation of the custodian bank activity.	
Employees responsible for the custodian bank function who perform safekeeping and control tasks in accordance with Art. 73 CISA do not perform any tasks delegated to the custodian bank.	

The confirmations are based on the following audit procedures

References for supplements

Custodian bank tasks delegated to other units of the bank / banking group or third parties must be listed under 9.1.2.

5.2.2 Reporting requirements

Audit area	Audit field
Internal organisation	Reporting requirements
Net risk	Intervention in the reporting year
The custodian bank has complied with the provisions on regulatory reporting obligations.	

The confirmations are based on the following audit procedures

5.3 Special tasks

5.3.1 Safekeeping of the collective investment scheme's assets and custody of collateral

Audit area	Audit field
Special tasks	Safekeeping of the collective investment scheme's assets and custody of collateral

Explanation

The audit firm assesses the proper safekeeping of the collective investment scheme's assets. In doing so, it assesses the organisation for the safekeeping of the collective investment scheme's assets (in particular where third-party custodians and collective securities depositories are involved) and the related controls (including periodicity and results) to ensure the existence and completeness of the collective investment scheme's assets.

It also assesses the proper safekeeping of collateral and its settlement by the custodian bank in accordance with the agreements. In the case of third-party custody of collateral, it assesses compliance with the requirements pursuant to Art. 54 para. 2 CISO-FINMA.

Net risk	Intervention in the reporting year
The safekeeping of the assets of the collective investment schemes is carried out in a proper manner.	
The safekeeping of the collateral of the collective investment schemes is carried out in a proper manner.	
The custodian bank has taken suitable precautions to ensure that no unauthorised disposal of the assets is possible.	
The custodian bank exercises due care and diligence in the selection and instruction of third-party and collective securities depositories and ensures an appropriate monitoring.	
For real estate funds only:	
The ownership verification pursuant to Art. 104 para. 1 e) CISO is carried out appropriately.	
There is proper safekeeping of uncollateralized mortgage notes and shares in real estate companies.	

The confirmations are based on the following audit procedures

5.3.2 Issue and redemption of units

Audit area	Audit field
Special tasks	Issue and redemption of units
Net risk	Intervention in the reporting year
The legal and contractual provisions regarding the issue and redemption of units are complied with.	
The recording of the issue and redemption of units, including fractions, is carried out properly.	

The confirmations are based on the following audit procedures

5.3.3 Handling of payment transactions

Audit area	Audit field
Special tasks	Handling of payment transactions

Explanation

For real estate funds only:
 The audit firm assesses the adequacy of the organisation in the management of accounts of the real estate fund held outside the custodian bank (third-party banks / real estate managers).

Net risk	Intervention in the reporting year
<input type="text"/>	<input type="text"/>

The legal provisions regarding payment transactions are complied with.	<input type="text"/>
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For real estate funds only:

Appropriate processes and controls are in place for accounts of the real estate fund that are not held with the custodian bank.	<input type="text"/>
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Appropriate processes and controls are in place for payments relating to construction or renovation projects.	<input type="text"/>
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The confirmations are based on the following audit procedures

5.4 Control tasks

5.4.1 Calculation of the net asset value and issue and redemption prices of the units

Audit area	Audit field
Control tasks	Calculation of the net asset value and issue and redemption prices of the units

Net risk	Intervention in the reporting year
<input type="text"/>	<input type="text"/>

The custodian bank verifies the calculation of the net asset value and the issue and redemption prices with regard to compliance with the law and the fund regulations.	<input type="text"/>
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For real estate funds only:

The market values of the properties determined by the external valuation experts are subject to appropriate plausibility checks.	<input type="text"/>
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The confirmations are based on the following audit procedures

5.4.2 Investment decisions

Audit area	Audit field
Control tasks	Investment decisions

Net risk	Intervention in the reporting year
<input type="text"/>	<input type="text"/>
The custodian bank effectively verifies the investment decisions with regard to compliance with the law and the fund regulations.	<input type="text"/>
For real estate funds only:	
The custodian bank, its agents as well as closely related persons have not acquired real estate assets from managed property funds or assigned any such assets to them.	<input type="text"/>
The confirmations are based on the following audit procedures	
<input type="text"/>	

5.4.3 Appropriation of income

Audit area	Audit field
Control tasks	Appropriation of income
Net risk	Intervention in the reporting year
<input type="text"/>	<input type="text"/>
The custodian bank effectively verifies the appropriation of income with regard to compliance with the law and the fund regulations.	<input type="text"/>
The confirmations are based on the following audit procedures	
<input type="text"/>	

5.5 Conduct rules

5.5.1 Protection of investor's interest CISA

Audit area	Audit field
Conduct rules	Protection of investor's interest CISA
Net risk	Intervention in the reporting year
<input type="text"/>	<input type="text"/>
The principles for the protection of Investor's Interests (CISA art. 20) are complied with.	<input type="text"/>
The confirmations are based on the following audit procedures	
<input type="text"/>	

5.6 Special duties

5.6.1 Securities lending

Audit area

Audit field

Net risk

Intervention in the reporting year

The confirmations are based on the following audit procedures

5.6.2 Repurchase transactions

Audit area

Audit field

Net risk

Intervention in the reporting year

The confirmations are based on the following audit procedures

6. Additional audits

The audit firm summarises the results of additional audits. Any notices of reservations and recommendations are to be included in chapter 3.

Were additional audits carried out in accordance with the audit strategy?

Yes No

7. Additional comments

7.1. Events after the completion of the audit procedures

Are there any significant events that were identified in the period between the completion of the audit procedures and the submission of the audit report?

Yes No

7.2 Supplementary reports

Is there any supplementary reporting (e.g. management letter) with details of significant findings and recommendations?

Yes No

7.3 Supplementary remarks by the audit firm

Are there any further comments by the audit firm?

Yes No

8. Signatures / Confirmation of the audit firm

The lead auditor together with another auditor with signatory powers sign the PDF-report (qualified electronic signature), which they submit as an attachment to the electronic survey via the FINMA survey platform.

If it is not possible to sign the report electronically in a qualified manner, it must be printed out, signed by hand and submitted to FINMA by post in addition to the electronic submission of the survey via the FINMA survey platform.

9. Annex

9.1 List of delegations

9.1.1 Activities delegated by the fund management company to the custodian bank

Supplement to audit field 5.1.1 Independence of the custodian bank from the fund management company / SICAV

Are there any activities delegated by the fund management company to the custodian bank?

Yes No

9.1.2 Tasks of the custodian bank delegated by the custodian bank to other units of the bank / banking group or third parties

Supplement to audit field 5.2.1 Internal organisation and internal control system

Are there any custodian bank tasks delegated to other units of the bank/banking group or performed by third parties?

Yes No

9.2 Documents to be submitted

The following documents are to be submitted with the audit report:

- a) Organisational chart of the bank embedding the organisational units of the persons entrusted with custodian bank duties
- b) Other documents which the audit firm considers relevant.