



UNION BANCAIRE PRIVÉE

## Directive – Conflicts of interest policy

Reference: GP00200

Scope: UBP Group

Effective from: 31 May 2019

Last updated: 8 January 2020

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### 1. Introduction

Swiss regulations require Swiss banks to implement measures to identify, monitor and manage conflicts of interest with a view to mitigating negative consequences arising from conflicts of interest in the course of relationships with clients.

The EU Markets in Financial Instruments Directive (“MiFID”) requires that investment firms maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to identify, monitor and manage conflicts of interest.

This directive describes the outline of the policy developed by Union Bancaire Privée, UBP SA and the branches and subsidiaries listed below, collectively referred to as “UBP”, to safeguard clients’ interests.

### 2. Contents

This Conflicts of Interest Policy describes how UBP will:

- ◆ Identify circumstances which may give rise to conflicts of interest entailing a material risk of damage to clients’ interests,
- ◆ Implement appropriate mechanisms and systems to manage those conflicts, and
- ◆ Maintain the mechanisms and systems designed to prevent damage to clients’ interests.

### 3. Scope

The Conflicts of Interest Policy applies to UBP’s headquarters, its Swiss branches and subsidiaries, and the following entities located outside Switzerland:

- ▶ Union Bancaire Privée, UBP SA (London branch)
- ▶ UBP Asset Management (Europe) S.A. (Brussels branch)
- ▶ Union Bancaire Privée (Europe) S.A. (Milan branch)
- ▶ UBP Asset Management (France) SAS, Paris
- ▶ Union Bancaire Privée (Europe) S.A. Luxembourg
- ▶ UBP Asset Management (Europe) S.A., Luxembourg
- ▶ Union Bancaire Privée, UBP SA (Monaco branch)

Similarly, UBP applies those principles in its activities covered by authorisations to provide services in EU countries.



#### 4. Definition of a conflict of interest

A conflict of interest is defined herein as the temptation for UBP not to comply with all its legal or contractual obligations towards a given client, and instead pursue its own interests or those of another client when providing its investment or other services, including in the form of incentives or preferential fee structures.

A conflict of interest is a conflict between:

- ◆ UBP (including a relevant person or a person directly or indirectly linked by control to it) and its clients
- or
- ◆ the competing interests of two clients.

This definition applies to both actual and potential conflicts of interest. A conflict of interest is actual when it involves a direct conflict between current duties and/or interests. It is potential when it is likely to arise or concerns circumstances that could give rise to a conflict.

In this context it should be clarified that the fact that the firm may gain a benefit does not constitute a conflict of interest, if there is not also a possible disadvantage to a client; the same applies if one client towards whom the Bank has an obligation may make a gain or avoid a loss without there being a concomitant possibility of loss to another client.

#### 5. Identification of conflicts of interest

UBP takes steps to identify possible conflicts of interest.

For the purpose of identifying conflicts of interest that could arise in the course of providing investment services, UBP considers situations where the Bank, an employee, or a person directly or indirectly linked by control to it:

- ◆ is likely to make a financial gain, or avoid a financial loss, at the expense of a client;
- ◆ has an interest in the outcome of a service provided to a client or of a transaction carried out on behalf of a client that differs from the client's interest;
- ◆ has a financial or other incentive to favour the interest of another client or group of clients over those of a given client;
- ◆ conducts the same business as the client;
- ◆ receives or will receive from a person other than the client an inducement in relation to the service provided to the client in the form of monetary or non-monetary advantages, other than commission or fees normally charged for this service.

In addition, the Bank takes appropriate measures to manage situations where an employee offers services to clients to ensure this does not create any sort of conflict of interest.



## 6. UBP's activities

In addressing the issue of possible conflicts of interest that could arise in the course of providing investment services, it is necessary to point out the following:

- ◆ UBP is not an investment bank;
- ◆ It does not focus on analysing new equity or bond issues;
- ◆ It is not involved in assessing the value of acquisitions or mergers involving listed or unlisted companies;
- ◆ It does not act as manager or co-manager in IPOs or SPOs;
- ◆ In principle UBP's staff are not authorised to serve as directors of companies in which a client may invest directly or UBP may invest on their behalf, except for collective investment schemes of which UBP is the promoter. If UBP is not the promoter, appropriate disclosure must be made to the client before undertaking business on the client's behalf.

## 7. Potential conflicts of interest

In the situations described below, amongst others, a conflict of interest can arise while UBP is acting on behalf of its clients.

UBP, which is active mainly in asset and wealth management, could find itself in a conflict of interest when it:

- ▶ recommends financial instruments to clients if it has taken, is taking, or plans to take positions on the same instruments itself (front-, parallel- and after-running);
- ▶ executes clients' orders with counterparties that it selects in accordance with its own interests;
- ▶ grants loans to clients that will allow them to engage in leveraging;
- ▶ engages in excessive transactions on clients' accounts (churning);
- ▶ recommends to clients instruments issued by itself, an entity in the same group, or counterparties with which it does business;
- ▶ takes a significant position on instruments issued by counterparties with which it does business and then sells them to its clients;
- ▶ sells to clients proprietary trading instruments that it no longer wants;
- ▶ allows only certain clients to subscribe to issues of more attractive financial instruments;
- ▶ favours certain investors in a collective investment to the detriment of others (late trading, market timing, etc.).

With regard to the matching of orders, UBP's entities have an internal policy of not matching orders in listed shares, because

- ◆ UBP may underwrite investments in such a way as to be in competition with a client;
- ◆ in the case of structured products issued by the Bank itself, UBP may act as a market-maker in a transaction or an investment held, sold, or bought for a client's account;
- ◆ the remuneration of the relationship managers is, in general, linked to their performance and the revenues generated annually by their department.
- ◆ When UBP receives an inducement in managing a mandate, it makes sure to fulfil its reporting duty and/or duty of restitution, according to the relevant laws or regulations.



## 8. Approach for handling conflicts of interest

UBP shall take all appropriate measures to avoid or manage conflicts of interest. A conflict of interest at UBP can be handled at group level, at single entity level or on a case-by-case basis.

In order to achieve the required level of independence, UBP maintains and operates effective organisational and administrative arrangements. The main arrangements are listed below.

### 8.1 Organisational arrangements

- ◆ **Information barriers:** UBP has established and operates internal organisational arrangements to prevent conflicts of interests by controlling, managing, and restricting, as deemed appropriate, the flow of privileged information between different areas of business or within a specific division or department. Barriers to the flow of information are known as Chinese walls and are a key tool for the management of conflicts of interest. Chinese walls can involve separations of premises, staff, reporting lines, files and IT systems, and controlled procedures for the movement of staff and information between different departments or UBP entities.
- ◆ **Handling of confidential information:** UBP has adopted the following principles in handling confidential information which includes price-sensitive information:
  - ▶ Client information shall always be treated in accordance with the appropriate level of confidentiality;
  - ▶ UBP shall only provide external parties with confidential information to the extent that it is authorised or required to do so by law, regulations, a client, and/or the provisions of the agreement whereby it is providing investment services;
  - ▶ UBP's employees shall, at all times, avoid the use of price-sensitive information in executing private securities transactions, and adhere to UBP's directive DB00700 (*Staff accounts and authorised banking transactions*);<sup>1</sup>
  - ▶ All privileged information, including price-sensitive information, shall be handled according to UBP's Code of Conduct for Financial Research.
- ◆ **Separate supervision and functions:** UBP is committed to taking the appropriate measures to ensure that two departments or business units which, if run together, could generate conflicts of interest, are managed and supervised by different senior staff members. UBP monitors the people concerned, whose main duties include carrying out activities on behalf of certain clients or providing them with services, when these clients may have diverging interests, or when these clients represent different interests – including those of the firm – that may diverge.

### 8.2 Administrative arrangements

**Policies and procedures:** in order to treat all its clients fairly and to act in their best interests in all circumstances, UBP has adopted specific policies and procedures, in particular the following:

- ◆ DM06050 – *Prevention of market abuse and insider trading*
- ◆ DB00700 – *Staff accounts and authorised banking transactions*;
- ◆ GP00199 – *Order-execution policy*;
- ◆ DM04250 – *Code of conduct for financial research*;
- ◆ DM08810 – *Rules of conduct for the investment funds market*.

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<sup>1</sup>The directive "Staff accounts and authorised banking transactions" came into effect on 1 January 2008 and is regularly updated.



### 8.3 Other measures

- ◆ **Remuneration:** UBP ensures independence between investment decisions and/or recommendations and the remuneration of its asset managers.
- ◆ **Inducements:** UBP is organised in such a way that the services provided are not biased by any inducements received. In addition, when distributing hedge funds, UBP does not receive any inducement from third parties.
- ◆ **Forward-pricing principle:** For investments in funds, UBP mitigates risks of late trading and market timing by a strict application of the principle of forward pricing.<sup>2</sup>
- ◆ **Disclosure and declining to act:** Where measures taken in order to avoid conflicts of interest are not sufficient, UBP shall disclose to affected clients the general nature and/or sources of the conflicts of interest before undertaking business on their behalf. The disclosure shall be made by durable means of communication and shall contain sufficient information to allow clients to assess the potential conflict of interest and take an informed decision with respect to the services to be provided. If the general measures and disclosure of the conflict of interest are insufficient to adequately address a specific conflict situation, UBP shall consider refraining from acting on behalf of the client.

## 9. Roles and responsibilities

The senior management of UBP is responsible for identifying, preventing and managing conflicts of interest in their business area. Specific tasks in the handling of conflicts of interest shall be assumed by the Financial Control, Risk Management, Compliance and Legal departments. The Bank shall adapt its approach to specific activities (investment research in particular).

## 10. Updating of the conflict of interest policy

This policy is normally reviewed once a year and may be amended at any time. UBP shall notify its clients of changes in this document only by posting an updated version on its website.

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<sup>2</sup>The principle of forward pricing is that the cut-off time for accepting orders occurs prior to calculation of the NAV on which the price will be based.