



UNION BANCAIRE PRIVÉE

# Policy on conflicts of interest

## 1. Introduction

The amended law of 5 April 1993 on the financial sector, the Grand-ducal Regulation of 13 July 2007 relating to organisational requirements and rules of conduct in the financial sector, and Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments (MiFID II) require that lending institutions 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 document provides key information on the policy drawn up by Union Bancaire Privée (Europe) S.A. (the "Bank") to identify and manage any conflicts of interest (the "Policy").

## 2. Content

The Policy aims to:

- ◆ identify and detect any circumstances which may give rise to real or potential conflicts of interest in relation to the services rendered to the Bank's clients, where such conflicts could adversely affect the clients' interests;
- ◆ implement appropriate mechanisms and systems to prevent and manage those conflicts;
- ◆ mitigate the consequences - if the mechanisms for managing conflicts of interest failed to prevent a real or potential conflict of interest from adversely affecting a client's interests - by informing the clients concerned, on a durable medium and before acting on their behalf, of the general nature of the conflicts of interest and, where necessary, the source of those conflicts, as well as the measures taken to mitigate these risks;
- ◆ maintain systems designed to prevent actual damage to clients' interests through any identified conflicts.

## 3. Scope

The Policy applies to the investment and/or ancillary services provided by the Bank.

## 4. Definition of a conflict of interest

A conflict of interest is a conflict that can arise in any area of business in which the Bank provides investment and/or ancillary services and that adversely affects the interests of one or more clients.

A conflict of interest may arise:

- ◆ between the interests of the Bank or a related person and the Bank's obligations towards its clients (e.g. its obligation of loyalty)
- ◆ between the competing interests of two or more clients, given that the Bank is required to meet its obligations to each client;
- ◆ when a related person or a person who is directly or indirectly linked to the Bank through a controlling interest is in one of the following situations:
  - ▶ the Bank or that person may make a financial gain or avoid a financial loss at the client's expense;
  - ▶ the Bank or that person has an interest in the outcome of a service rendered to a client or a transaction performed on behalf of the client that is different from the client's interest in the outcome;
  - ▶ the Bank or that person has a financial or other incentive to favour the interests of another client or group of clients over interests of the client concerned;
  - ▶ the Bank or that person conducts the same business activity as the client;
  - ▶ the Bank or that person receives or will receive from a person other than the client an incentive relating to the service provided to the client, in the form of services or monetary or non-monetary benefits.

A related person may be:

- ◆ a director, partner or equivalent, manager or tied agent of the Bank,
- ◆ a director, partner or equivalent, or manager of any tied agent of the Bank,



## Policy on conflicts of interest (continued)

- ◆ an employee of the Bank, an employee of a tied agent of the Bank, or any other individual whose services are made available to and controlled by the Bank or by a tied agent of the Bank and who is involved in the investment services and activities provided by the Bank, or
- ◆ an individual who is involved in providing services to the Bank or to a tied agent of the Bank as part of an outsourcing arrangement under which the Bank provides investment services and activities.

A conflict of interest can also exist between the interests of certain persons linked directly or indirectly to the Bank by a controlling interest (e.g. other entities within UBP Group ("UBP Group")) and those of the Bank's clients.

This definition of conflict of interest applies to conflicts of interest which are actual or potential. A conflict of interest is actual when it involves a direct conflict between current duties and/or interests. It is potential when it involves likely future conflicts or concerns circumstances likely to create a conflict.

In this context, it should be clarified that it is not enough that the firm may gain a benefit or prevent a loss, if there is not also a possible disadvantage to a client, or that one client to whom the firm owes a duty may make a gain or avoid a loss without there being a concomitant possible loss to another such client.

### 5. Identifying conflicts of interest

The Bank takes steps in order to identify conflicts of interest.

For the purpose of identifying conflicts of interest that could arise in the course of providing investment services and/or ancillary services to a client, or a combination of these services, including conflicts of interest resulting from incentives received from third parties and from the Bank's compensation system or its other incentive-based systems, the Bank considers situations where the Bank, a related person or a person directly or indirectly linked by control:

- ◆ is likely to make a financial gain or avoid a financial loss at the expense of the client,
- ◆ has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client which is distinct from the client's interest in that outcome,
- ◆ has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client,
- ◆ conducts the same business and/or economic activity as the client.

### 6. Activities giving rise to conflicts of interest

In addressing the issue of possible conflicts of interest that could arise in the course of providing investment services and/or ancillary services, it should be noted that the Bank:

- ◆ is not an investment bank,
- ◆ does not focus on analysing new equity or bond issues,
- ◆ is not involved in assessing the value of acquisitions or mergers involving listed or unlisted companies.
- ◆ does not act as manager or co-manager in public tender offers for securities on the primary or secondary market.

As a general rule, the Bank's employees are not authorised to hold management positions in companies in which a client invests directly or the Bank may invest on the client's behalf, except for collective investment schemes of which a UBP Group entity is the promoter. If this is not the case, appropriate disclosure will be made to the client before undertaking business on its behalf.

### 7. Potential conflicts of interest

In the situations described below, which are not exhaustive, a conflict of interest can arise while the Bank is acting on behalf of its clients.

- ◆ The Bank can make recommendations regarding:
  - ▶ the purchase or sale of units in collective investment schemes where a UBP Group entity is the promoter, the management company, the advisory company or the custodian;
  - ▶ the purchase or sale of structured products issued by a UBP Group entity or a third party on its request.



## Policy on conflicts of interest (continued)

- ◆ The Bank can conduct transactions in connection with which it may have a direct or indirect material interest. In particular, the Bank may:
  - ▶ match the order of a client with that of another person, receiving in some cases a second commission from this other person;
  - ▶ deal with a client as a principal for its own account;
  - ▶ execute client transactions, in full or in part, through another UBP Group entity or its agent. This entity acts as an independent legal entity.

With regard to order matching, UBP Group's EU entities have an internal policy of not matching orders in listed shares.

- ◆ The Bank 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, a UBP Group entity 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 annually generated by their department, and the Bank may enter into retrocession agreements with third parties.

### 8. Approach for addressing conflicts of interest

Conflicts of interest covered by this Policy shall be managed using one or several of the approaches set out below.

#### 8.1 Organisational arrangements

- ◆ Information barriers: the Bank has established and operates internal organisational arrangements to avoid conflicts of interests by controlling, managing or 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. The operation of Chinese walls can involve the separation of premises, personnel, reporting lines, files and IT systems, along with controlled procedures for the movement of personnel and information between different departments or UBP Group entities.
- ◆ Handling of confidential information: the Bank has adopted the following principles in handling confidential information that includes price-sensitive information:
  - ▶ Client information will always be treated in accordance with the appropriate level of confidentiality.
  - ▶ The Bank will only provide confidential information to external parties to the extent it is required or allowed to do so by law, regulation and/or if foreseen in the provision of the investment service requested.
  - ▶ The Bank's employees shall, at all times, avoid the use of price-sensitive information in executing private securities transactions and adhere to the Bank's policy in this regard.
  - ▶ In addition, all privileged information, including price-sensitive information, will be handled according to the Bank's Code of Conduct with regard to financial analysis.
- ◆ Separation of functions and tasks: the Bank takes appropriate measures to ensure that two departments or business units that could generate conflicts of interest are managed and supervised by different senior staff members. Furthermore, the Bank takes steps to ensure that no employee simultaneously or subsequently holds two functions that could generate conflicts of interest.
- ◆ Finally, the Bank ensures that its different business activities are conducted independently and are supervised by different management teams.

#### 8.2 Administrative arrangements

Policies and procedures: the Bank has adopted specific policies and procedures to ensure that it treats all clients fairly in all circumstances and acts in their best interests.

In particular, the Bank has adopted a policy on employee accounts and authorised bank transactions<sup>1</sup> and the Order Execution Policy. It follows a Code of Conduct for Financial Analysis, along with late trading and market-timing procedures.

<sup>1</sup> The directive on employee accounts and authorised bank transactions came into force on 1 January 2008.



## Policy on conflicts of interest (continued)

### 8.3 Other measures

- ◆ Remuneration: the Bank ensures independence between investment decisions and/or recommendations and the remuneration of its asset managers.
- ◆ Benefits: the Bank is organised in such a way that the services provided to clients are not influenced by inducements received or paid by the Bank. In addition, employees must refuse any gift, invitation or other benefit from a third party, unless they obtain the consent of their managers. Furthermore, the Bank does not receive any benefits from third parties for distributing hedge funds.

As part of its discretionary management activities, the Bank may receive from and/or pay to third parties (such as brokers, distributors, etc.) fees, commissions and monetary and non-monetary benefits.

When providing discretionary management services, the Bank pays any fees, commissions and monetary benefits it receives to the client as soon as is reasonably possible upon receipt.

- ◆ Staff training: the Bank provides all employees with training on how to identify and manage conflicts of interest. The Bank also makes employees aware of the legal, financial and reputational risks incurred by the Bank in the event of a conflict of interest that adversely affects clients' interests.
- ◆ Forward-pricing principle: for investments in funds, the Bank mitigates late trading and market-timing risks by strictly applying the forward-pricing principle.<sup>2</sup>
- ◆ Client information: where the Bank cannot prevent a conflict of interest that may adversely affect clients' interests, the Bank undertakes to inform the clients concerned, as a last resort and in a durable medium, of the general nature and source of the conflicts of interest, providing details of the specific risks associated with the activity, before conducting any transactions relating to the conflict of interest, thereby allowing clients to assess the situation and take an informed decision with respect to the services to be provided.

Such a disclosure shall clearly indicate that the organisational and administrative arrangements made by the Bank to prevent or manage the conflict failed to guarantee with reasonable confidence that the risk of adversely affecting the client's interests would be avoided. The disclosure shall include a description of the conflict of interest arising out of the provision of investment and/or ancillary services, bearing in mind the type of client concerned. The description will set out the general nature and sources of the conflict of interests, as well as the risks incurred by the client as a result of the conflict of interest, and the measures taken to mitigate these risks. Sufficient details will be given to allow the client to make an informed decision with respect to the investment or ancillary service in the context of which the conflict of interest arises.

- ◆ Possibility of declining to provide a requested service: if the general measures and the disclosure are insufficient to adequately address a specific conflict situation, the Bank will consider refraining from acting on behalf of the clients concerned.

### 9. Recording conflicts of interest

The Bank keeps and regularly updates a record of the types of investment services provided by or on behalf of the Bank and for which an actual or potential conflict of interest is at considerable risk of adversely affecting the interests of one or more clients. Where necessary, the record shall include the measures taken to manage these conflicts. This record will be used to update and modify this Policy.

### 10. Roles and responsibilities

The senior management of the Bank is responsible for identifying, preventing and managing conflicts of interest in their business area. Specific tasks in the handling of conflicts of interest will be assumed by the Financial Control, Risk Management, Compliance, Legal and Private Banking departments.

### 11. Updating the Policy

This policy is normally reviewed once a year and may be amended at any time, particularly as a result of legislative changes, new products and services offered by the Bank or new sources of conflicts of interest.

The Bank will notify its clients of changes in this Policy only by posting an updated version of the Policy on its website.

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