



UNION BANCAIRE PRIVÉE

CONFLICTS OF INTEREST POLICY

1. INTRODUCTION

The EU Markets in Financial Instruments Directive “MIFID” requires that investment firms maintain and operate effective organizational 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 measures UBP is taking to safeguard clients’ interests.

2. CONTENT

The 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.
- Maintain systems designed to prevent actual damage to clients’ interests through any identified conflicts.

3. SCOPE

The Conflicts of Interest Policy applies to the following Union Bancaire Privée branches and subsidiaries (collectively “UBP”):

- Union Bancaire Privée (Luxembourg) SA.
- Union Bancaire Privée Luxembourg Branch.
- UBP Securities (UK) Limited.
- Union Bancaire Privée London Branch.
- UBI Paris.
- UBP Barcelona.

4. DEFINITION OF A CONFLICT OF INTEREST

A conflict of interest is a conflict that can arise in every area of business while UBP, in carrying out a regulated or ancillary activity, provides investment services.

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 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 creating the appearance of a conflict.

In this context it should be clarified that it is not enough that the firm may gain a benefit, 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. IDENTIFICATION OF CONFLICTS OF INTEREST

UBP takes steps in order 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 or 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 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.
- Carries on the same business as the client.

6. UBP 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.
- The bank does not act as manager or co-manager in IPOs or SPOs.
- Normally UBP's staff does not serve as directors of companies in which a client directly or UBP on his behalf may invest, except for collective investment schemes of which UBP is the promoter. If this is not the case, appropriate disclosure will be made to the client before undertaking business on his behalf.

7. POTENTIAL CONFLICTS OF INTEREST

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

- UBP can make recommendations regarding:
 - the purchase or sale of units in collective investment schemes where an entity of the UBP group is the promoter, the management company, the advisory company or the depository;
 - the purchase or sale of structured products issued by UBP or a third party on its request.
- UBP can carry out transactions in connection with which it may have a direct or indirect material interest. In particular, UBP 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's transactions, in full or partially, through another UBP entity or its agent. This entity acts as an independent legal entity.

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

- 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 annually generated by their department.

8. APPROACH FOR ADDRESSING CONFLICTS OF INTEREST

A conflict of interest at UBP can be handled at a group level, at a single entity level or on a case by case basis.

UBP adopts the following general measures in order to prevent or properly manage conflicts of interest that could adversely affect the interests of its clients.

8.1 Organizational Arrangements

- **Information Barriers:** UBP has established and operates internal organizational arrangements to avoid conflicts of interests by controlling, managing, 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 separations of premises, personnel, reporting lines, files and IT systems and controlled procedures for the movement of personnel and information between different departments or UBP entities.
- **Handling of Confidential Information:** UBP has adopted the following principles in handling confidential information which include price sensitive information:
 - client information will always be treated in accordance with the adequate level of confidentiality;
 - UBP will only provide confidential information to external parties to the extent it is obliged or it is allowed to do so by law, regulation and/or if foreseen in the provision of the investment service requested;
 - UBP's employees shall, at all times, avoid the use of price sensitive information in executing private securities transactions and adhere to UBP Personal account dealing policy¹;
 - in addition, all privileged information, including price sensitive information, will be handled according to UBP Code of Conduct for financial research.
- **Separate Supervision and Functions:** UBP engages itself to take the appropriate measures to ensure that two departments or business units which, if run together, could generate conflicts of interest, will be managed and supervised by different senior staff members.

8.2 Administrative Arrangements

Policies and Procedures: in order to treat in all the circumstances all its clients fairly and to act in their best interests UBP has adopted specific policies and procedures.

In particular, UBP has adopted the following policies and procedures: Personal Account Dealing Policy, Order Execution Policy, Code of Conduct for Financial Research, Late Trading and Market Timing Procedure.

8.3 Other Measures

- **Remuneration:** UBP ensures independence between investment decisions and/or recommendations and the remunerations of its asset managers.
- **Inducements:** UBP is organized in such a way that the services provided to the clients are not biased by inducements eventually received. In addition, the client has to be aware that, in the activity of distribution of hedge funds, UBP does not receive any inducement from third parties.
- **Forward Pricing Principle:** for investments in funds UBP mitigates the late trading and market timing risks by a strict application of the principle of the forward pricing².
- **Disclosure and Declining to act:** where measures taken in order to avoid conflicts of interest are not sufficient, then UBP will disclose to affected clients the general nature and/or sources of the conflicts of interest before undertaking business on their behalf. The disclosure will be made in a durable medium and will contain sufficient information to allow clients to assess the conflict of interest situation and take an informed decision with respect to the services to be provided. If the general measures and the disclosure are insufficient to adequately address a specific conflict situation UBP will 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 will be assumed by the Financial Control, Risk Management, Compliance Department, Legal Department, Private Banking.

10. UPDATING OF THE CONFLICT OF INTEREST POLICY

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

1 The directive "Comptes du personnel et transactions bancaires autorisées" will be effective starting the 1st of January 2008

2 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.

