



BANQUE DE  
PATRIMOINES PRIVÉS  
Wealth Management

## **Conflicts of Interest Policy**

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Validated by the Board of Directors on 21st of March 2018

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<b>Edition</b>	<b>Date</b>	<b>Author, Unit</b>	<b>Status</b>	<b>Comments</b>
3	September 2017	BPP	Final	

## 1. INTRODUCTION

Banque de Patrimoines Privés, S.A. (Hereinafter, "**Banque de Patrimoines Privés**" or the "**Bank**") has developed its best practices in order to meet the requirements established by the Market in Financial Instrument Directive 2014/65/UE of the European Parliament and of the Council of 15 May 2014 (hereinafter "MiFID II Directive").

MiFID II Directive includes a series of obligations of application to those entities that provide investment services in relation to the information that these entities must provide to their clients. In particular, it outlines the general principles that entities providing investment services must meet in relation to the information they provide to their clients and potential clients, including policies relating to advertising communications.

Thus, in the preparation of this Conflicts of Interest Policy (hereinafter, the "**Policy**"), the following regulatory sources have been considered:

- MiFID II Directive.
- Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU ("Delegated Regulation").
- Commission Delegated Directive (EU) 2017/593 of 7 April 2016 supplementing Directive 2014/65/EU ("Delegated Directive").
- Circular of the Commission de Surveillance du Secteur Financier ("CSSF") 07/307, as amended by Circulars CSSF 13/560, CSSF 13/568 and CSSF 14/585.

The above provisions are collectively referred to as the "**Applicable Regulations**".

## 2. SCOPE OF APPLICATION

This Policy outlines the measures that the Bank will apply with respect to those situations in which it might appear a potential conflicts of interest, with the aim of:

- (i) Detect such situations in which a conflict of interest could arise;
- (ii) Once detected, to prevent that such conflicts could be materialized;
- (iii) If such conflicts are indeed materialized, to mitigate its risks.

As a measure of last resource, in case of having applied diligently all the measures included in this Policy, the Bank will have to report to the client, in a durable form and in a concise and clear way, the conflict of interest that might have appeared, as well as all the measures that have been taken or applied.

This Policy applies to those situations that could generate a conflict of interest when providing an investment service or an ancillary service.

Additionally, this Policy includes any circumstance that could be contemplated by the Bank as a consequence of the structure and business activities of other members of the Group Crèdit Andorrà.

### 3. CONFLICT OF INTEREST DEFINITION

Conflict of interests that might arise when providing an investment service or ancillary service, or of a combination of both, could arise between:

- (a) The Bank, including its executives, employees and agents or any other person who directly or indirectly controls the Bank, and its clients;
- (b) Clients, including those conflicts caused with respect to the reception of inducements from third parties or regarding the Bank's remuneration and any other inducements structures.

Among the circumstances which are considered to be generating of conflicts of interests there should be included those where a conflict exists between the interests of the Entity, or certain persons linked to the Bank or to the group and the obligations of the former with respect to a client; or between the different interests of two or more of its clients, with whom the Bank to supports an obligations. It is not sufficient that the Entity could obtain a benefit, but a potential prejudice must exist also for the client.

As shown above, when a situation of conflict of interest appears the measures described in this Policy shall be applied when the Banks is giving an investment service or an auxiliary service, without having in consideration the classification of the client to whom the service is given- retailer, professional or eligible counterparty-.

Regarding the identification of the different types of conflicts of interests potentially harmful to the clients which could be generated when providing an investment services or/and an auxiliary services (or a combination of both), the Bank will consider that such conflict of interest exists and that could diminish the interests of the client, on a non-exclusive basis, in the situation where:

- the Bank;
- an administrator, partner or equivalent, executive or agent linked to the Bank;
- an administrator, partner or equivalent, or an executive of any agent linked to the Bank;

- an employee of the Bank or of an agent linked to the Bank, as well as any other natural person whose services are under the control of the Bank or of an agent linked to it and who participates in the provision of investment services and activities on behalf of the Bank;
- a natural person who participates directly in the provision of investment services to the Bank or to its agent in accordance with an outsourcing agreement in order for the Bank to grant investment services and activities; or
- a direct or indirectly person linked to the Bank by means of a control relation.

When providing investment services and/or auxiliary services, or investment activities, or by any other reason:

- a) Could obtain a financial benefit, or avoid a financial loss, at the expense of the client;
- b) Could have an interest in the result of a service given to the client or with respect to an operation carried out at the expense of the client, which differs from the interest of the client in this result;
- c) Could gain a financial inducement or any other type of it in order to encourage the interests of another client or group of clients which differs from the interest of a specific client;
- d) Carry out the same activity as a specific client;
- e) Receive or could receive from a person different from the client an inducement with respect to a service given to the client, in the form of monetary or non-monetary benefits.

The Bank will provide to its clients with a description, which could be summarized, of this Policy. Nevertheless, by request of a client, the Bank will provide them with a detailed version of such Policy, on a durable form or by means of the Bank's website (when the latest does not constitute a durable form).

#### **4. MEASURES ADOPTED FOR THE PREVENTION AND MANAGEMENT OF CONFLICTS OF INTEREST**

The measures that the Bank will adopt for the prevention and management of the conflicts of interest will be the following:

- a) Effective procedures to prevent or control the exchange of information between persons who participate in activities which could imply a risk of conflict of interests, when such exchange of information could diminish the interests of one or more clients. For example

the implementation of information barriers in order to control the exchange of information between the employees, physical separations and the supervision of contacts between and within those areas where special or privileged information may arise.

- b)** The separated supervision of the persons whose principal functions are the fulfillment of activities or the provision of services on behalf of or in favor of clients with opposite interests, or that represent somehow different interests that might imply a conflict, included those of the company. As for example:
  - (i) Separated structures regarding the direction and supervision of the employees.
  - (ii) Suitable segregation of functions.
- c)** The elimination of any direct link between the remuneration of the certain persons who participate in the development of an activity and the remuneration of any other person who participate in the development of another activity, or the income generated by these, when a conflict of interests could arise in relation with such activities. Implementing for example, the prohibition of a remuneration system based on the achievement of commercial or business objectives directly linked with the provision of investment services.
- d)** Measures to limit the possibility that any person could exercises an inadequate influence on the form in which another person carries out investment services or activities or auxiliary services.
- e)** Measures in order to prevent or control the simultaneous or consecutive participation of a person in different investment services or activities or auxiliary services when such participation could diminish the suitable management of the conflicts of interests.
- f)** To implement formative sessions regarding the management of conflicts of interest to ensure a fair treatment of clients.
- g)** To control the personal investments and business activities of employees, and of the gifts that could offer and receive.
- h)** Prohibition of certain practices associated with the abuse of market, as the *front-running*.
- i)** Establishment of procedures for a fair assignment of clients' orders, by means of systems of implementing recording systems in order to identify situations where a conflict of interest may arise.

Additionally, Annex I of this Policy define the investment services and auxiliary services given by or on behalf of the Bank, where a potentially conflicts of interest could be generated, as well as a description of the circumstances which could create a conflict of interests that implies a risk of diminishing an interest of one or more clients. Likewise, such Annex contains the measures that shall be taken to avoid or manage these conflicts, for each of the identified situations.

Additionally, any employee of the Bank who detects a potential situation of conflict of interest will be able to notify it to the Compliance Department by means of using the attached Form as Annex II to this Policy.

## **5. DISCLOSURE OF THE CONFLICT OF INTEREST TO THE CLIENT**

When the organizational and administrative measures adopted by the Bank – and detailed in the Annex I of the present Policy – in order to prevent the generation of conflicts of interest that could potentially damage the interests of the clients, were not sufficient to guarantee with certainty that the risk of conflicts of interest are prevented, the Bank must clearly reveal such conflicts to the client the nature and origin of this conflict of interest, as well as the measures adopted to mitigate these risks before undertaking any type of action on behalf of the client.

Nevertheless, the Bank shall make sure that such disclosure to the clients with respect to the existence of a conflict of interest should constitute a last resource, which would only be used in the case described in the previous paragraph. In this sense, this measure of disclosure of the conflict of interest to the client, will only constitute a subsidiary measure regarding the management of the conflict of interest. In case it was necessary to carry out this disclosure to the client as a measure of last resource, the communication will include the following content:

- (i)** That the organizational and administrative measures applied by the Bank to anticipate or to manage the conflict of interest are not sufficient in order to guarantee, with reasonable certainty, that any conflict of interest could be avoided for the interests of the client.
- (ii)** The description of the conflict of interest that have appeared in the provision of investment or auxiliary services, considering the nature of the client to whom the communication is sent.
- (iii)** The nature and the background of the conflict of interest, as well as the risks that might arise for the client as consequence of such conflict and the measures adopted to mitigate these risks.

The Bank will communicate this information to the client on a durable form and with all the details, so that the client could make a decision about the service, in the context where such

conflict of interests have appeared. In this regard, a Model of Communication to the client is included as Annex IV to this Policy.

## **6. REGISTRATION OF CONFLICTS OF INTEREST**

The Bank will maintain and update on a regular basis a registry of Conflicts of Interest in which shall be included all the types of conflict of interest that have appeared with respect to the investment or ancillary service, or investment activities made by the Bank, where such conflict of interest has supposed a risk of damage of the interests of one or more clients or, in case of a service or an activity which is currently being rendered, where a conflict of interest might arise.

According to the Record keeping Policy of the Bank, the registration of these conflicts of interest will include, additionally to the identification of the types of investment services or activities, the reports sent to the Board of Directors with respect to such conflicts of interest, and information about personal operations. The required information that has to be registered regarding the conflicts of interest is included as Annex II of this Policy.

The Board of Directors will receive periodically, and at least annually, reports in writing made by the Compliance department with respect to the situations included in the registration of conflicts of interest.

## **7. LIABILITY, CIRCULATION, UPDATE AND CONTROL OF THE POLICY**

The Compliance Department will be in charge of the present Policy. Likewise this department will be the responsible of its wide circulation to the areas affected within the Bank, coordinating the formative sessions and assuring the correct fulfillment.

At least annually, the Compliance Department will review the content and scope of the present Policy and will include the necessary adjustments, if normative changes happened or as consequence of the adoption of other internal Policies.

Additionally the review and evaluation of the present Policy will also be made by means of:

- Internal Audits according with the established calendar for audit purposes.
- External Annual Audit.

Additionally, the Compliance Department will control that the Bank does not disclosure excessively to the client any conflict of interest that might arise, as stated in point 5 of the



present Policy; considering the abuse of this measure as a deficiency that will have to be amended in the present Policy.

## Annex I. Inventory of Potential Conflicts of Interest and of existing Measures of Control

Conflict	Description	Measures of Control
<p>1. Execution and assignment of orders</p>	<p>There is a risk of executing and/or assigning orders without following the Best Execution Policy, damaging the interests of the final client and encouraging the interests of the Bank or of a third client.</p>	<p><b>1.1</b> Existence and application of the following procedures:</p> <ul style="list-style-type: none"> <li>• Best Execution MiFID Policy</li> </ul> <p>This Policy will be reviewed and validated on an annual basis.</p> <p><b>1.2</b> The Compliance Department will make a detailed test by taking a sampling of certain operations in order to verify the fulfillment of the content of the abovementioned Policy.</p>
<p>2. Information flows</p>	<p>Risk that certain employees might have access to confidential information jeopardizing the interests of certain clients and the Bank's interest.</p> <p>Risk that certain employees might carry out operations on market using privileged information.</p>	<p><b>2.1</b> All the employees are obliged to know and sign the Code of General Conduct of the Bank ("RIC"), where the obligations are specified regarding to the use of privileged information, information barriers, etc.</p> <p><b>2.2</b> The members of the board, employees, agents and representatives must formulate in the first ten days of every quarter a detailed communication which will be sent to the Compliance Department and that will include all the operations carried out on their behalf in the above mentioned period. If there is no operations to report, a negative declaration will be sent.</p> <p><b>2.3</b> The Compliance Department will be able to make detailed test considering a sampling of operations made in order to verify that such operations, carried out on behalf of the persons that are subject to the RIC, are not affected by the wrongful access to privileged information based on the requirements of the RIC.</p>

Conflict	Description	Measures of Control
		<p><b>2.4</b> The members of the board, employees, agents and representatives will have permanently updated an exact declaration of the conflicts of interest with respect to their economic correlation, familiar links or any other type of conflict with the managed entities, for services related to the stock market or listed companies at the stock exchange or other organized markets.</p>
<p>3. Recommendation of own product versus products of third parties</p>	<p>Risk that certain clients are advised to buy products and/or investment services of the Bank at the expense of other products and/or external investment services commercialized by the Bank on the basis of a higher commission.</p> <p>The risk could be that will only be operated on the basis of the recommendation of contracting own products, without acting on the best interest of the client when the third party products have a Suitability and/or Appropriateness which best suits the clients' needs.</p>	<p><b>3.1</b> All the retail clients who would like to contract Discretionary Portfolio management service shall complete and sign the Suitability Test, on the basis of the requirements stated in the Appropriateness and Suitability Policy.</p> <p><b>3.2</b> All the retail clients who would like to contract a product catalogued like complex shall complete and sign the Appropriateness Test, on the basis of the requirements stated in the Appropriateness and Suitability Policy.</p> <p><b>3.3</b> The Bank has an Appropriateness and Suitability Policy that must be known by all its employees.</p> <p><b>3.4</b> The Compliance Department will carry out a detailed test considering a sampling of operations made, in order to check that the abovementioned Suitability and/or Appropriateness Test are being indeed realized, reviewing the result of these test together with the inventory of products that are contracted for a certain period of time, specially reviewing those products and/or services which have a higher commissions' return.</p>
<p>4. Inducements</p>	<p>Risk of being paying/charging commissions to third parts (principally</p>	<p><b>4.1</b> The Entity has an Inducements Policy where the following is included:</p>

Conflict	Description	Measures of Control
	<p>with respect to the provision of commercialization/ distribution/ subdistribution / levels of volume of contracted operations, etc.) and breaking information obligations to MiFID clients. Risk of being operating with a third party especially with respect to the reception of commissions agreed on the basis of an agreement, which are higher than those contained in the market, and which could diminish the clients and potential clients of the Entity regarding the level of service, cost and commission.</p>	<ul style="list-style-type: none"> <li>• The detection of inducements.</li> <li>• The treatment of these inducements.</li> <li>• Clients` obligations with respect to the information prior to contracting.</li> </ul> <p><b>4.2</b> The Entity will not receive any type of remuneration, discount or non- monetary benefit for directing clients` orders to a specific negotiation or execution center which breaks the requirements contained in this Policy.</p>
<p>5. Relationship with third parties for the contracting of products and/or services</p>	<p>There is a potential risk of conflict of interest in those cases where the Bank uses external service providers which are at the same time its clients.</p>	<p><b>5.1</b> The Bank must have an Outsourcing Policy where the following shall be included:</p> <ul style="list-style-type: none"> <li>• To carry out the analysis and the selection of the supplier of a product and/or service on the basis of the best practices of the market.</li> <li>• To carry out the analysis and the selection of the supplier of a product and/or service considered as basic, on the basis of the MiFID requirements, which might imply the realization of certain actions of control and monitoring which goes beyond the mere contractual development.</li> </ul>
<p>6. Existence of related-party transactions</p>	<p>There is a risk that it might be taking place certain related-party transactions and the Entity is not applying the requirements of authorization, control,</p>	<p><b>6.1</b> There shall be implemented certain procedures in order to comply with the legal obligations with respect to this related-party transactions which are:</p>

Conflict	Description	Measures of Control
	<p>monitoring and communication legally established.</p>	<ul style="list-style-type: none"> <li>• All the related-party transactions must be prior authorized by the Compliance Department by means of sending the request to them.</li> <li>• In order for the Compliance Department to authorize the operation, it will shall be made on the exclusive interest of the IIC and considering the prices and conditions have to be equal or better than those of established by the market.</li> <li>• The Compliance Department must inform at least quarterly to the Board of Directors about all the authorized and/or denied related-party operations.</li> <li>• In the pre-contractual information of the IIC shall be contained the existence of the present conflict of interest procedure in order to avoid them as well as the information regarding the related-party operations which can be consulted at the quarterly reports.</li> <li>• Such quarterly reports shall mention the related-party operations carried out in the abovementioned period.</li> </ul>

Annex II. Registration of Conflicts of Interest

N°	Service affected	Description of the conflict	Employees or involved Departments	Date of origin of the conflict	Date of report to the Board of Directors	Measures Applied	Resolution	Date of Resolution

### Annex III. Form of Notification of Conflicts of Interest

#### A. Information of the person

Name of the Employee	
ID Number	
Position	
Department	
Office	
Communication Date	

#### B. Information of the Conflict of Interest

Nature	<input type="checkbox"/> Potential Conflict <input type="checkbox"/> Real Conflict
Description of the Conflict	
Possible risk for the Client	
Service where the Conflict is originated	
Person or Departments involved	
Date	

#### C. Measures for the management of the Conflict

Description of the measures taken	
Comments	

#### D. Disclosure of the Conflict

Disclosure of the conflict of interest to the client

Disclosure to the client	<input type="checkbox"/> Yes.                      Communication Date	
	<input type="checkbox"/> No. Date of foreseen communication	
	<input type="checkbox"/> No. Revelation is not foreseen to the client in this moment.	



## Annex IV. Form of Communication of Conflicts of Interest

### Ref. Communication of Conflict of Interest to retail and professional clients

Dear Client,

Hereby, Banque de Patrimoines Privés (hereinafter “Banque de Patrimoines Privés” or “the Bank ”), communicates that in order to fulfill the new requirements set out by the Directive 2014/65/UE of May 15, 2014 on the markets of financial instruments (known as "MiFID II"), the Bank has and applies a Conflicts of Interest Policy when providing investment services, by means of which adopts all the necessary measures to detect and to anticipate any conflict of interest that could be generated when providing such investment and/or ancillary services, or a combination of both.

Nevertheless, in spite of the fact that our Conflicts of Interest Policy contains the measures which shall be taken in order to avoid any conflict of interest when providing investment services and/or activities, we hereby inform you that the organizational administrative measures established to anticipate and manage these situations were not sufficient in order to guarantee, that any risk over your interest could be prevented and, as a consequence, we facilitate you the following information which can be of your interest:

**(a)** Investment service/activity which could potentially generate a conflict of interest:

Please mark with an X where corresponds:

- Investment Advice
- Discretionary Portfolio Management
- Commercialization of products manufactured by entities linked to the Group Crèdit Andorrà
- Commercialization of products manufactured by entities which are not linked to the Group Crèdit Andorrà
- Placement of instruments produced by entities linked to the Group Crèdit Andorrà
- Placement of instruments produced by entities not linked to the Group Crèdit Andorrà
- Other investment services / activities.

**(b)** Description of the Conflict of interest' situation:

[SHALL BE INCLUDED A DESCRIPTION OF THE TYPE OF CONFLICT OF INTEREST]

- (c) Description of the potential risks generated as consequence of the conflict of interest:

[SHALL BE INCLUDED A DESCRIPTION OF THE TYPE OF RISKS]

The purpose of the information contained in this communication is to assure that you, as client of Banque de Patrimoines Privés, could take a decision about the investment service that the Bank provides you, bearing in mind the conflict of interests' context.

As always, we remain at your entire disposal should you have any comment or query.

Best regards,