



24/02/2020 | Compliance Department

Conflicts of Interest Policy

Version n°6

Approved at the meeting of the Board of Directors of *Banque de Patrimoines Privés* on April 16, 2020

Table of Contents

1. INTRODUCTION.....	2
2. OTHER LINKED POLICIES AND REFERENCE DOCUMENTS.....	2
3. SCOPE OF APPLICATION.....	2
4. CONFLICT OF INTEREST DEFINITION.....	3
5. PROCESS OF IDENTIFICATION AND MANAGEMENT OF POTENTIAL OR EXISTING CONFLICTS OF INTEREST.....	3
5.1. Role of each employee of the Bank.....	4
5.2. Role of the Compliance function of the Bank.....	4
5.3. Role of the Authorized Management of the Bank.....	5
5.4. Role of the Board of Directors.....	5
5.5. Role of other departments.....	6
6. MEASURES ADOPTED FOR THE PREVENTION OF CONFLICTS OF INTEREST.....	6
7. DISCLOSURE OF THE CONFLICT OF INTEREST TO A CLIENT OR A PROSPECT.....	8
8. REGISTRATION OF CONFLICTS OF INTEREST.....	8
9. LIABILITY, CIRCULATION, UPDATE AND CONTROL OF THE POLICY.....	9
10. APPLICABLE LEGAL AND REGULATORY FRAMEWORK.....	9
11. HISTORY.....	10
12. APPENDICES.....	10

1. INTRODUCTION

Banque de Patrimoines Privés S.A. (hereinafter the “Bank”) is a credit institution active in the private banking and funds servicing.

The purpose of this Conflicts of Interest Policy (hereinafter the “Policy”) is to take all reasonable steps to maintain and operate effective and adequate organizational and administrative arrangements to identify and manage any relevant conflict of interest and ensure the Bank always acts in the best interest of its clients.

Any violation of the principles and rules laid down in this Policy may lead to disciplinary actions, up to dismissal.

2. OTHER LINKED POLICIES AND REFERENCE DOCUMENTS

This Policy shall be read together with the following policies and procedures of the Bank:

- Whistleblowing policy;
- Remuneration policy;
- Inducement policy;
- Business introducers’ procedure;
- Internal governance policy;
- Gifts and entertainments policy; and
- Code of conduct.

3. SCOPE OF APPLICATION

This Policy is applicable to:

- the Board of Directors;
- the Authorized Management;
- all employees of the Bank;
- any tied agent, if any;
- any person directly or indirectly linked to the Bank by a control relationship.

The purpose of this Policy is to ensure that the Bank:

- has identified circumstances which may give rise to a conflict of interest entailing a risk of damage to the interests of clients or prospects;

- has established appropriate mechanisms and procedures to manage these conflicts of interest; and
- maintains procedures designed to prevent any damage to interests of clients or prospects through any identified conflict of Interest.

This Policy specifies the procedures to be followed and measures that have been adopted in order to prevent any such potential conflict of interest from arising or, where they do arise, from adversely affecting the interests of clients or prospects.

4. CONFLICT OF INTEREST DEFINITION

When providing an investment activity or ancillary service (i.e. discretionary portfolio management and execution only activities or of a combination of both), a conflict of interest may arise between:

- the Bank and a client: potential conflicts of interest may arise between the interests of a client and the Bank's interests. These types of conflicts include situations where the Bank may be favored at the expense of a client.
- two clients: potential conflicts of interest may arise between different clients if a client is favored compared to another. This may have a negative impact on the other client.
- an employee and a client: potential conflicts of interest may occur where the employee's interests and the client's interests are not aligned.
- the Board of Directors / the Authorized Management and the Bank: the members of the Board of Directors / Authorized Management may have external mandates that may lead to potential conflicts of interest.
- the Bank and its related parties (i.e. other Group's entities).
- the Bank / an employee and a service provider.
- the interests of an investment vehicle, of the share/unitholders and of the Bank acting as Depository bank.

Please refer to Annex I – Examples of conflicts of interest and measures that may be implemented.

5. PROCESS OF IDENTIFICATION AND MANAGEMENT OF POTENTIAL OR EXISTING CONFLICTS OF INTEREST

Where the Bank identifies different types of potential or existing conflicts of interests, which may be generated when providing an investment services or/and an auxiliary services, the Bank considers that such conflict of interest may diminish the interests of the client or the prospect, on a non-exhaustive basis, in the situation where the Bank or any of its employees or a direct or indirectly person linked to the Bank by means of a control relation:

- is likely to make a financial gain, or avoid a financial loss, at the expense of a client or a prospect;
- has an interest in the outcome of a service/activity provided to a client or a prospect or of a transaction carried out on behalf of a client, which is distinct from the interest of the client in that outcome;

- c. has a financial or other incentive to favor the interest of another client or group of clients over the interests of the client;
- d. is involved in the same transaction for more than one clients;
- e. carries out the same activity as a specific client; and
- f. receives or will receive from a person different from the client an inducement with respect to an investment activity/service provided to the client, in the form of monetary benefits, goods or services other than the standard commission or fee for that activity/service.

5.1. Role of each employee of the Bank

Where an employee of the Bank becomes aware of circumstances s/he believes may constitute a conflict of interest situation, which is likely to have an impact on the interests of a client or a prospect, he/she must disclose and report the point in writing:

- either to his/her immediate superior, who shall analyze the point and inform the Compliance function unless s/he considers that the circumstance will not lead to a conflict of interest;
- or directly to the Compliance function without any delay.

Each employee of the Bank shall pay close attention to the conflicts of interest's issue and therefore must be attentive to any potential conflict of interest that may arise from the Bank's business activity.

5.2. Role of the Compliance function of the Bank

The Compliance function shall:

- be informed of any existing or potential conflicts of interest and be considered as the key contact of all the Bank's employees on this matter;
- once notified, inform the Authorized Management if the conflict of interest cannot be prevented in order to implement mitigation measures to manage the conflict of interest;
- advise the Bank's concerned employees and Authorized Management on any potential or existing conflict of interest;
- assist and advise the Authorized Management on the bi-annual review process;
- assist in the definition of measures to be taken to manage and mitigate any conflict of interest;
- maintain and keep up-to-date the conflicts of interest register;
- keep up-to-date the document "examples of conflicts of interests and measures to be taken";
- participate in the review process of the related policies and procedures (i.e. the whistleblowing policy; remuneration policy; inducement policy; business introducers' procedure; internal governance policy; code of conduct);
- raise awareness of the Bank's employees about the significance of compliance and related aspects, including the conflicts of interest.

5.3. Role of the Authorized Management of the Bank

The Authorized Management shall ensure that any existing or potential conflicts of interest related to the Bank's business activity (including the day-to-day operational activity, any new product / activity, etc.) are adequately identified and managed.

Once informed by the Compliance function of a potential or existing conflict of interest, the Authorized Management of the Bank may report it to the Board of Directors for decision on actions and measures to be taken to mitigate the identified conflict of interest.

In addition, members of the Authorized Management, who are subject to this Policy, shall inform the other members thereof on their own initiative and on a prompt manner of any existing or potential conflict of interest situations they may be involved in. These members shall abstain from participating in the decision-making processes where they may have a conflict of interest or which prevent them from deciding with full objectivity and independence; this shall be reflected in the minutes of the Executive Committee's meetings. A copy of these minutes shall be sent to the Compliance function of the Bank.

Besides, on a bi-annual basis, the Authorized Management will have to fulfil a specific questionnaire (see *appendix II*) on the organization of the Bank's activity to ensure that any existing or potential conflict of interest are adequately identified and managed. This questionnaire will have to be signed by each Authorized Manager and provided to the Compliance function. Moreover, the Authorized Management will have to inform immediately the Compliance function as soon as a new conflict of interest is identified due to a significant change impacting the nature of the Bank's activity.

Regarding existing or potential conflicts of interest impacting other Group's entities, the Authorized Management shall coordinate with them to define and implement an adequate strategy to manage and mitigate any identified conflicts of interest.

5.4. Role of the Board of Directors

Members of the Board of Directors of the Bank shall ensure that their respective mandate remains compatible with any other function, position or interest they may have in terms of conflicts of interest and availability (please refer to the document "*Internal Governance Framework*" and *appendix IV "Self-Declaration of conflicts of interest"*).

Members of the Board of Directors of the Bank, who are subject to this Policy, shall inform the other members thereof on their own initiative and on a prompt manner of any existing or potential conflict of interest situations they may be involved in. These members shall abstain from participating in the decision-making processes where they may have a conflict of interest or which prevent them from deciding with full objectivity and independence; this shall be reflected in the minutes of the Board of Directors' meetings. A copy of these minutes shall be sent to the Compliance function of the Bank.

Each member of the Board of Directors shall inform the other members thereof of his/her potential personal interests and of the interests of any related natural and legal person; this shall be reflected in the minutes of the Board's meetings. A copy of these minutes shall be sent to the Compliance function of the Bank.

Conflicts of interests involving related parties

The business relationships with any other Group's entities (hereafter "related parties") are subject to the Board of Directors' approval where they have or may have a significant and negative impact on the Bank's risk profile or when a personal transaction has a significant influence on all of the transactions with the related parties.

Any material changes in the significant transactions carried out with related parties shall be brought to the attention of the Board of Directors as soon as possible.

Transactions with related parties shall be carried out in the Bank's interest. The Bank's interest is not met where transactions with related parties:

- are carried out on less advantageous terms for the Bank than those which would have applied to the same transaction carried out with a third party (at arm's length);
- impair the solvency, liquidity situation or risk management capacities of the Bank from a regulatory or internal point of view;
- exceed the risk management and control capacities of the Bank; or
- are contrary to sound and prudent management principles in the interest of the Bank.

5.5. Role of other departments

The *Risk Management function*, through the New Products and Activities Committee, ensures that the analysis of any existing or potential conflict of interest is performed during the launch of a new activity or product.

The *Internal Audit function*, as part of the internal audit plan, performs a review of the conflicts of interest register and of the management process of conflicts of interest.

The *Human Resources function* of the Bank provides any new employee with a set of documents including this Policy, the whistleblowing policy and the code of conduct (amongst other documents). Each new employee must sign a declaration stating that s/he acknowledges and understands these documents and commits him-/herself to consult any subsequent updated versions available on the Bank's intranet.

In addition, *Corporate Secretary* shall establish a special report reflecting the transaction(s) submitted to the approval of the Board of Directors and in which any director faced a conflicting situation. This special report shall be presented to the shareholders meeting following the said Board of Directors' meeting(s), in accordance with the article 17 of the Articles of Association of the Bank.

6. MEASURES ADOPTED FOR THE PREVENTION OF CONFLICTS OF INTEREST

The measures that the Bank will adopt for the prevention of 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 fulfilment of activities or the provision of services on behalf of or in favour of clients with opposite interests, or that represent somehow different interests that might imply a conflict of interest, included those of the company. As for example:
 - i. the direction and supervision of employees of the Bank made by different and separated reporting lines.
 - ii. suitable segregation of functions, as required by the CSSF circular 12/552, as amended.
- 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. Mitigation measures could be the implementation of prohibition of a remuneration system based on the achievement of commercial or business objectives directly linked to the provision of investment services.
- d. Measures to limit the possibility that any person could exercise 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 be offered by, or received from, them.

In this regard, employees are informed about the prohibition to make improper use of information acquired by virtue of his/her position, irrespective of whether such employee or any associated person (i.e. immediate family members), would gain a personal advantage directly or indirectly.

Regarding the gifts and entertainments, please refer to the applicable gifts and entertainments policy of the Bank.

- h. Prohibition of certain practices associated with situations that may lead to market abuse, 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.

7. DISCLOSURE OF THE CONFLICT OF INTEREST TO A CLIENT OR A PROSPECT

The disclosure of a conflict of interest to a client or a prospect shall be considered as a measure of last resort to be used only where the organizational and administrative arrangements established by the Bank to prevent or manage its conflicts of interest are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the client are prevented.

The disclosure of conflicts of interest by the Bank does not exempt the latter from the obligation to maintain and operate effective organizational and administrative arrangements.

The disclosure shall include a specific description explaining the general nature and sources of conflicts of interest that arise in the provision of the discretionary portfolio management and execution only services, as well as the risks to the client that arise as a result of the conflicts of interest and the steps undertaken to mitigate these risks, in sufficient details to enable that client to take an informed decision with respect to the investment service in the context of which the conflicts of interest arise.

In accordance with the foregoing, if this situation occurs, the concerned department shall inform the Compliance function of the Bank and submit a draft communication to the Compliance function for review prior to sending to the client. This communication shall be clear, fair and not misleading. In this regard, a model of communication to the client or the prospect is included as Annex IV to this Policy.

Once the communication is duly approved internally and provided to the client or the prospect, it shall be kept and stored by the Compliance function of the Bank.

8. REGISTRATION OF CONFLICTS OF INTEREST

The Bank maintains and keeps up-to-date, on an on-going basis, a register of any potential or existing conflicts of interest identified with respect to the Bank's business activity.

The information required to be included in the conflicts of interest register is as mentioned in Annex III hereof.

The Board of Directors of the Bank will receive quarterly reports in writing from the Compliance function, including, inter alia, any new existing or potential conflicts of interest identified and the measures taken to manage and mitigate them.

9. LIABILITY, CIRCULATION, UPDATE AND CONTROL OF THE POLICY

The Compliance function of the Bank will be in charge of keeping up-to-date this Policy. Likewise, this function will be the responsible of its wide circulation to the areas affected within the Bank, coordinating the formative sessions and assuring its implementation.

The Compliance function of the Bank will review on an annual basis the content and scope of this Policy and will proceed to necessary adjustments, a.o. if normative changes happened or as a consequence of the adoption of other internal policies and procedures.

The Bank will provide its clients with a description of this Policy. Nevertheless, upon client's request, the Bank will provide them with a detailed version of such Policy on a durable form or on the Bank's website.

10. APPLICABLE LEGAL AND REGULATORY FRAMEWORK

Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments;
Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010;
Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities;
Commission Delegated Regulation 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision;
Commission Delegated Regulation (EU) 2016/438 of 17 December 2015 supplementing 2009/65/EC of the European Parliament and of the Council with regard to obligations of depositaries;
Commission Delegated Directive (EU) 2017/593 of 7 April 2016 supplementing Directive 2014/65/EU;
Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU;
Grand-ducal Regulation of 30 May 2018 on the protection of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary benefits;
Law of 5 April 1993 on the financial sector, as amended;
Law of 15 June 2004, as amended, on Investment Companies in Risk Capital (SICAR);
Law of 13 February 2007, as amended, on Specialized Investment Funds (SIF);
Law of 17 December 2010 on undertakings for collective investment, as amended;
Law of 12 July 2013 on Alternative Investment Fund Managers (AIFM);
Law of 10 May 2016 transposing Directive 2014/91/EU (UCITS V);
Law of 23 July 2016 on Reserved Alternative Investment Fund (RAIF);
CSSF circular 16/644 of 11 October 2016, as amended, on provisions applicable to credit institutions acting as UCITS depository subject to Part I "and UCIs subject to Part II" of the Law

of 17 December 2010 relating to undertakings for collective investment and all UCITS, where appropriate, represented by their management company;
CSSF circular 07/307 of 31 July 2007, as amended, on MiFID: Conduct of business rules in the financial sector;
CSSF circular 12/552 of 11 December 2012, as amended on Central administration, internal governance and risk management.

The above list is not exhaustive and only points out the major legal and regulatory framework the Bank is subject to with respect to conflicts of interest.

11. HISTORY

Version n°	Date	Author	Modification
1	12/08/2016	Bertrand ROCHE	Inception
2	21/03/2017	Bertrand ROCHE	
3	06/12/2017	Bertrand ROCHE	
4	21/03/2018	Bertrand ROCHE	
5	20/11/2019	Jérôme GOEPFERT	Amendment to fully reflect requirements of the applicable legal environment and other policies of the Bank / Conversion to the Bank's policies' template
6	24/02/2020	Jérôme GOEPFERT	Amendment so as to reflect the requirement of article 17 of the Articles of Association of the Bank

12. APPENDICES

- Appendix I - Example of conflicts of interests and measures to be taken;
- Appendix II - Conflicts of interest's questionnaire dedicated to the Authorized Management only;
- Annex III - Register of conflicts of interest
- Appendix IV - Self-declaration of conflicts of interest;
- Appendix V - Form of communication of conflicts of interest.