

Architects of Wealth

CONFLICTS OF INTEREST

CA INDOSUEZ WEALTH (EUROPE)'S POLICY ON CONFLICTS OF INTEREST

The purpose of this document is to inform customers of CA Indosuez Wealth (Europe) and its subsidiaries and branches (hereinafter, the Bank) of its policy on conflicts of interest that may arise in connection with the provision of services.

1. INTRODUCTION

This document:

- Defines conflicts of interest
- Identifies situations which contain the potential for conflicts of interest
- Defines the system for identifying these situations
- Sets out the Bank's approach to the management and recording of conflicts

2. THE REGULATORY FRAMEWORK

The Bank's policy on the management of conflicts of interest is consistent with:

- Directive 2014/65/EU of 15 May 2014 on markets in financial instruments and its Commission Delegated Regulation 2017/565 of 25 April 2016, which in Article 23 stipulates that "investment firms (...) take all appropriate measures to ensure that conflicts of interest are not detrimental to the interests of clients".
- Regulation (EU) No 596/2014 of 16 April 2014 on market abuse.

In the above cases, the Bank must implement an effective policy of managing conflicts of interest.

3. SITUATIONS WHICH CONTAIN THE POTENTIAL FOR CONFLICTS OF INTEREST

The concept of a conflict of interest can only arise in regard to the Bank's provision of investment and related services. In accordance with the provisions of Article 33 of Commission Delegated Regulation 2017/565 of Directive 2014/65/EU, the following situations (non-exhaustive list) may give rise to conflicts of interest:

- situations in which the Bank or a person linked to it is likely "to make a financial gain, or avoid a financial loss, at the expense of the client";
- the Bank or that person "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";
- the Bank or that person "has (...) [an] incentive to favour the interests of another client or group of clients over the interests of the client";
- the Bank or that person "carries on the same business as the client";
- the Bank or that person "receives or will receive from a person other than the client an inducement in relation to a service provided (...) other than the standard commission or fee for that service".

In the above cases, the Bank must establish, implement and maintain in operation an effective policy of managing conflicts of interest.

4. IDENTIFYING CONFLICTS OF INTEREST

The bank is responsible for identifying any possible conflicts of interest. To that end, the Bank has drawn up a list of situations in which they may arise.

It has introduced an organisational structure, together with internal procedures and checks, aimed at identifying and managing any such conflicts. Lastly, it has trained its staff on this subject by means of circulating its compliance manual and related presentations.

In order to minimise the risk of conflicts of interest, the Bank also ensures that tasks and activities are separated if and as appropriate necessary.

The Compliance Officer's role includes the detection of potential conflicts of interest, and to that end he sits on a number of Committees that oversee the Bank's operations.

As part of this system and, more specifically, to meet the requirements of circular CSSF 12/552, members of Senior Management and the Board of Directors who find themselves in a conflict of interest situation must promptly and spontaneously inform Compliance and either Senior Management or the Board of Directors, as the case may be. These individuals must not take part in any decision-making process that would place them in a conflict of interest situation or with regard to which they are unable to make an objective and impartial decision.

Members of the Board of Directors and Senior Management must declare all offices (public or private) they hold, and explain why they believe there is no conflict of interest with their role within CA Indosuez Wealth (Europe).

Likewise, relations with related parties are closely monitored. Related parties are legal entities belonging to the Crédit Agricole group and the employees, shareholders, managers and members of the boards of directors of these entities.

5. MANAGING CONFLICTS OF INTEREST

Generally, the management of conflicts of interest must be based on the fundamental principle that the customer's interests take priority over the interests of the Bank or of a person linked to the Bank.

When the conflict is between two customers, the Bank must act on the basis of the principle of proportionality and, where applicable, on the basis of the priority of the interests of the customer with which it has had the longest banking relationship.

The Bank's Chief Compliance Officer in particular is responsible for implementing these principles. The compliance officer is in charge of a department that specialises in this type of question and any conflict of interest that arises should be referred to him/her. The management of conflicts is therefore based on his/her intervention.

The management of conflicts of interest may thus be summarised as follows:

1. the staff member concerned must report the conflict of interest to his/her line manager and the Chief Compliance Officer, who will inform Senior Management if appropriate;
2. based on the principles set out above, the compliance officer should propose a solution to deal with the conflict including at least the following:
 - the elimination of the conflict of interest by choosing the solution most beneficial to the interests of the client,
 - where this last solution is not possible, pure and simple abstention.
 - As a last resort, inform the client.

The Chief Compliance Officer must subsequently:

- propose corrective action aimed at preventing situations of conflict similar to the one that has just arisen, insofar as this is possible;
- record the conflict which arose in a specific register.

On the basis of the above policy, CA Indosuez Wealth (Europe) wishes to inform its customers of the possibility that conflicts of interest may arise. It also wishes to give them the opportunity of referring a matter to the department at the Bank in charge of ensuring compliance with fundamental rules of conduct.

I. SITUATIONS INVOLVING POTENTIAL CONFLICTS OF INTEREST BETWEEN THE BANK AND ITS CUSTOMERS

POTENTIAL CONFLICTS OF INTEREST

1. ROLE AS DEPOSITORY BANK

Calculating the rate of interest on deposits

Pricing transparency

Calculating interest: setting “value dates”

2. STOCK MARKET TRANSACTIONS AND OTHER MARKET OPERATIONS

Price rigging in the interests of the Bank or the Group

Inducements given to the Bank by brokers

Pricing transparency

Bank agreements with third-party managers

Transactions involving the loan of securities

MEASURES TAKEN BY THE BANK

- All time deposits with the Bank are remunerated in accordance with current market conditions.
- Customers are informed of prices once a year and prices are contained in documents available in the Bank’s display stands.
- The “value dates” applied to transactions are referred to in the brochures on prices available in the Bank’s display stands and correspond to generally accepted standards. They are based on the time required to record transactions for accounting purposes.
- The Bank’s policy is to abstain from own-account trading on the financial markets.
- The Bank has set up a stock market dealing desk which is designed as a cost centre and is therefore not involved in the profitability of transactions.
- The dealing desk decides freely on the choice of brokers to be used depending on technical criteria: skill, efficiency, specialisation, and best execution, from a list of brokers approved by the Bank and the Group.
- The permanent control department verifies that all brokers used are on the approved list.
- Customers are informed of prices once a year and prices are contained in documents available on the Bank’s display stands.
- For agreements between the Bank and third-party managers, the permanent control department exercises controls over the portfolio investment strategies and turnover rates that are identical to the controls exercised over portfolios managed by the Bank itself.
- In the event of significant losses, the Bank’s procedures require third-party managers to inform customers directly.
- Transactions involving the loan of securities are only carried out with the express agreement of the customer, after he/she has signed specific documents in this respect. The permanent control department checks that these documents have indeed been signed.
- Customers are informed of any market commissions shared.

3. DISCRETIONARY MANAGEMENT¹

Customers treated differently

- The Bank applies a principle of management by investment strategy, which eliminates any risk of different treatment within the same strategy. Regular checks are made to ensure that this is the case.

Portfolio turnover

- Management gives priority to the search for performance of the portfolios managed as compared to the profitability of assets.
- One of the tasks of the Bank's permanent control department is to monitor the turnover rate of portfolios under discretionary management.

Allocation of illiquid securities

- The Bank does not have an activity involving underwriting securities. Therefore, it cannot be in this situation.

Transparency of stock market transactions performed

- All stock market transactions carried out in the context of discretionary management are documented and information can be provided on request.

Presentation of performance

- The Bank presents its performance by comparing it to benchmarks chosen on a lasting basis. Information is given about these benchmarks beforehand.

4. PLACING FINANCIAL PRODUCTS (STRUCTURED PRODUCTS, AUTHORISED FUNDS, INSURANCE PRODUCTS, ETC.)

Placing Crédit Agricole Group products Price incentives for the bank

- Any preference given to these products is justified by the following objective considerations, aimed at providing investors with enhanced protection:
 - higher level of information,
 - higher level of supervision,
 - security provided by the Group's sound position and reputation.

Products based on Crédit Agricole shares

- The Bank has a duty to refrain from promoting such products to customers.
- In the context of discretionary management, the Bank does not prohibit investment in these products, but the decision to invest in them must be based on objective criteria and must be in the investor's interest. This type of transaction is supervised by the compliance department.

Placing other financial products

- Before any financial product is promoted, it must have been:
 - officially selected by various specialised committees within the Bank
 - authorised by the compliance department.
- All placings must form part of the investment strategy chosen by each customer.

Special case of structured products, developed by the Group

- All structured products developed by the Group and that are to be promoted must first be approved by the legal and compliance departments. The compliance department:
 - authorises or refuses to authorise promotion depending on risk criteria,
 - determines the maximum amounts to be placed,
 - chooses, on a case by case basis, the investment strategies with which these products are compatible.

Ex-post checks are carried out.

1. The Discretionary Management activity is performed in the Bank by the Marketing and Investment Division (DMI). The DMI provides services for discretionary management mandates that are entrusted to it by (non-exhaustive list) 1. individuals, 2. wealth management entities, or 3. investment funds, so that the measures taken to prevent potential conflicts of interest apply irrespective of the type of principal.

Benefits received by the Bank from third parties

- Commissions are negotiated independently of the conduct of business and account managers are not aware of these negotiations.

As investment advice and recommendations are not influenced by benefits received, the Bank always acts in its Customers' best interests (see our General Terms and Conditions - Article 5.5 "Benefits").

5. CREDIT TRANSACTIONS

Determination of margins applied by the Bank

- The Bank's principle is to apply market margins, adapted in relation to the risk incurred.
- Risk is measured on the basis of objective criteria:
 - the cost of liquidity,
 - shareholders' equity invested,
 - rating of transactions,
 - rating of counterparties.

Pricing transparency

- Customers are informed of the rates applied and any administrative costs prior to the signature of credit agreements. Details are given in the customer's statements of account.

Credit granted to invest in financial products or to increase customers' stock market activity

- The Bank's procedures prohibit the granting of credit in order to:
 - invest in the context of an agreement for advice in investments,
 - place Credit Agricole Group products.
- The Bank's compliance department checks that no credit is granted in the above situations.

Overdraft authorised on an account in favour of a customer having a credit balance on another account

- The Bank informs the customer of this type of situation and the cost thereof for said customer.

Determination of the value of collateral in granting credit

- Taking collateral forms part of prudent management by the Bank, naturally in its customers' interests.

6. ASSET ENGINEERING

Complicated and costly solutions

- Solutions proposed by the asset engineering units are approved prior to implementation by a specialised committee whose main task is to ensure that the customer's interests take priority. This committee checks the proportionality between the solutions proposed and the desired target.

The compliance department is a member of this committee.

Unnecessary continuation of structures domiciled at CA Indosuez Wealth (Europe)

- A specific committee, set up to review structures domiciled at CA Indosuez Wealth (Europe) regularly analyses the relevance of existing structures.

Customers are informed if any structures are unnecessary.

Bank involvement in discretionary portfolio management for organisations domiciled with CA Indosuez Wealth (Europe), particularly investment funds.

- The wealth engineering and domiciliation services on the one hand, and discretionary management services on the other hand, come under separate legal entities and different business lines.
- CA Indosuez Wealth (Europe) has no discretionary management authority to commit the domiciled organisation: the authority to commit the organisation in this area lies with the directors and/or representatives of the organisation; when this organisation is an investment fund, the directors and/or representatives comply with the fund's specific conflicts of interest management policy (principle of no individual power of signature, etc.).

II. SITUATIONS INVOLVING POTENTIAL CONFLICTS OF INTEREST BETWEEN THE BANK'S STAFF AND ITS CUSTOMERS

POTENTIAL CONFLICTS OF INTEREST

1. STOCK MARKET TRANSACTIONS

Post-execution allocation for grouped stock market transactions (risk of confusion between customers' and staff transactions)

Choice of brokers

Portfolio turnover

Inside information and price rigging

2. CASE OF DISCRETIONARY MANAGEMENT

Portfolio turnover

3. PLACING FINANCIAL PRODUCTS

Adapting products to customer profiles

4. PROCESSING COMPLAINTS

Risk of a complaint by a customer not being taken into consideration.

MEASURES TAKEN BY THE BANK

- Under the Bank's procedures, the post-execution allocation of transactions processed is prohibited.
- The bank's staff accounts are outsourced to other institutions.
- Customer advisers are not allowed to have responsibility for accounts held by members of their family.
- The Bank's procedures and compliance manual lay down strict rules for relationships between the Bank's staff and any outside counterparty, especially as regards gifts received, travel provided and other inducements.
- The Bank's compliance department has particular responsibility for ensuring adherence to these rules.
- The Bank's permanent control department monitors turnover rates for all portfolios (including those on an advice-only mandate), using a standard maximum rate.
- Pursuant to the Luxembourg Act of 9 May 2006, the Bank's procedures strictly prohibit members of staff from using inside information and from promoting changes in prices in their own interests.

Variable remuneration received by discretionary management staff is never linked to portfolio turnover.

- Customer advisers receive training aimed at making them aware of the need for products placed to be adapted to customers' investment strategies.
- Under the Bank's procedures, this adaptation is mandatory.
- The permanent control department regularly checks portfolios to ensure compliance with customers' investment strategies.
- Under the Bank's internal rules, letters are opened by a special independent department. Complaints are then processed by a specialist unit of the permanent control department, which reports to the Bank's general management.

III. SITUATIONS INVOLVING POTENTIAL CONFLICTS OF INTEREST BETWEEN CUSTOMERS

POTENTIAL CONFLICTS OF INTEREST

1. STOCK MARKET TRANSACTIONS

Customers treated differently (issuing of shares, IPOs, etc.)

MEASURES TAKEN BY THE BANK

- Under the Bank's procedures, allocations must be made in proportion to the orders received, limited to available assets. The compliance department checks that this is done correctly.
- Under the Bank's procedures, stock market orders must be executed in the chronological order in which they are received.

Post-execution allocation of grouped orders

- Under the Bank's procedures, post-execution allocation is prohibited. In the event of a grouped order, allocations must be decided on prior to execution.

Price rigging in favour of a customer or a company that is a customer

- Pursuant to the Luxembourg Act of 9 May 2006 on market abuse, the Bank's procedures prohibit any practice that could lead to price rigging.

IV. SITUATIONS INVOLVING POTENTIAL CONFLICTS OF INTEREST BETWEEN THE BANK AND ITS STAFF

POTENTIAL CONFLICTS OF INTEREST

1. STOCK MARKET TRANSACTIONS

Staff members treated differently

Clients treated differently at the expense of the Bank

MEASURES TAKEN BY THE BANK

- The bank's staff accounts are outsourced to other institutions.
- Customer advisers are not allowed to have responsibility for accounts held by members of their family.
- The Bank's procedures and compliance manual lay down strict rules for relationships between the Bank's staff and any outside counterparty, especially as regards gifts received and other inducements.

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