

Conflict of interest policy

1 Principles

1.1 General principles

Definition of a conflict of interest:

Any situation subject to at least two factors that are in conflict with each other. In the event of a conflict of interest under the terms of the MiFID [Financial Instruments Directive] the customer for whom the investment service is being provided always constitutes one factor, while the Bank forms the other. Situations are nevertheless also conceivable in which several factors on the Bank's side are in conflict with the customer's interests.

Conflicts of interest routinely require a balanced adjustment between objectives. The legal regulations require the objective of independent and uninfluenced investment service provision for protecting and safeguarding the customer's interests be given the highest priority.

1.2 Legal principles

The law of 13 July 2007 in conjunction with Directive 2004/39/EC (in particular Art. 13, 18 I, Art. 21, non-definitive) of the implementing Directive 2006/73/EC as well as the Grand-Ducal Regulation of 13 July 2007 and circular 07/307 of the CSSF (Commission de Surveillance du Secteur Financier), the local banking supervisory authority.

2 Concept

2.1 Principles

In this concept, special importance must be attached to the observation - and if necessary regulation - of potential conflicts of interests within the sphere of the provision of investment and ancillary services.

All conceivable and actual conflicts must therefore be regulated if these have and / or may have an effect on this provision of investment services. Investment consultancy, asset management, the reception and execution of orders as well as mandates granted, are examples of this. Disadvantages for assets must be avoided, if possible through effective management.

2.2 Employees and business areas affected

Compliance with prohibitions, rules and obligations resulting from legal provisions in association with the Directive is binding, non-delegable and a top priority for all employees working in the investment business. The infringement of these obligations may result in a considerable loss of trust on the part of the customer, which can consequently lead to considerable damage for the Bank. The rules for managing conflicts of interest affect all investment and ancillary services of the Bank.

The areas in which the Bank itself provides investment services as well as those in which a conflict of objectives for the investment services business "with the customer" and / or for the customer, which are considered to be "conflicting factors" (see 1.1 General Principles), are especially relevant.

- investment advice and/or private banking investment business
- central asset management
- employee transactions

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2.3 Types of conflict

The customer's interest is of paramount importance; it forms a point of reference for the origins of the conflict and a starting point for the measures to be taken. A conflict with the interests of the customer may occur:

- in respect of the institution's own interests, those of its affiliated companies, its managers or employees being in conflict with the interests of the customer;
- in respect of the interests of a customer being in conflict with the interests of another customer.

Possible combinations of conflicts of interest may arise from the following in particular:

- personal relationships of the employee or business management or persons connected with these;
- cases where these people are acting on supervisory or advisory boards;
- asset management;
- information from individual employees not yet made public at the time of the transaction;
- cases where inducements are granted or received, in particular payments from third parties or to third parties, or
- in cases where incentives are granted to employees.

2.4 Conflict focus

The Bank itself is naturally a focal point for conflicts, as are all "compliance-related" employees. The following situations are potentially conflictual and unfavourable for customers:

- financial advantages or the absence of financial disadvantages for the Bank and which are charged to the customer;
- anomalous interest;
- incentives which place the interests of one customer above the interests of another customer;
- competition; the customer and the Bank are both pursuing the same business transaction;
- incentives from third parties: the Bank receives (alongside the usual commission and payments for the service) an incentive (money, goods, other services), which is for the most part agreed contractually, in relation to a service being provided to the customer. We refer to our general standard business conditions with regard to these incentives;
- gifts and entertainment not due from a contractual point of view, which go beyond the rules laid down in the working regulations.

3 Measures against conflicts of interest

Security measures must be reasonable, effective and, if necessary, deterrent; the people involved must be familiar with and be in control of procedures that they must comply with in order to perform their duties correctly. Guidelines, work instructions and training must be developed and put into practice for this purpose. Functions, reporting and responsibilities must be documented.

All general measures against conflicts are taken into account;

Priority measures: measures for avoiding the conflict and for controlling correct actions.

Where this is not possible, the disclosure of the conflict to the customer where the customer's interests continue to be protected.

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Every conflict must be met with an appropriate measure. In detail, the following organisational and quality-securing measures must be taken:

- The creation of areas of confidentiality with so-called "Chinese Walls," i.e. virtual and / or actual barriers to restrict the flow of information;
- The maintenance of watch lists and / or black lists containing financial instruments that could lead to conflict. Transactions in financial instruments on the watch list continue to be allowed, but are centrally monitored; transactions on the black list are prohibited;
- Keeping an insider directory. All relevant people within the banking institution that have insider information (including the point in time and nature of the information) are recorded in this directory;
- When executing orders, the relevant bank employees must act in accordance with the "Best Execution Policy" and / or the customer's instructions. A written instruction is made regarding this;
- Disclosure of employee transactions within the banking institution;
- Control of the acceptance of gifts and other benefits;
- Training of all relevant employees.

4 Private customers

Private customers must be informed of the basic principles of dealing with conflicts of interest. This must be referred to in correspondence with the customer as well as in any attachments to that correspondence.

If, in individual cases, there are specific conflicts of interest in respect of a customer, which cannot be prevented by organisational and contractual means, the general nature and origin of these must be disclosed to the customer. Disclosure must be made automatically in writing before the conclusion of the transaction, so that the customer can decide whether he / she is willing to be held liable despite the provision of a conflictual service. Details of the conflicts involved, which are sufficient to form an adequate basis to enable the customer to make a decision, must be included in this information. The extent of the detail given must nevertheless not go as far as the disclosure of insider information. Conflicts with other customers and the resulting protection of banking confidentiality must also be considered.

5 Compliance

A list of checks covering compliance with the conflict of interest policy must be drawn up by the Compliance Department. The Department must also make corresponding checks.