Conflicts of interest

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CRÉDIT AGRICOLE
PRIVATE BANKING

Credit Agricole Luxembourg's policy on conflicts of interest

This document is intended to provide Crédit Agricole Luxembourg's customers with information about its policy on conflicts of interest which may arise in the course of providing services.

The document has been drawn up pursuant to the Luxembourg Act of 13 july 2007 transposing the provisions of the following European directives:

- Directive 2004/39/EC of 21 April 2004 on markets in financial instruments:

  According to Article 19 of this Directive: "An investment firm [is required to] act honestly, fairly and professionally in accordance with the best interests of its clients."

- Directive 2006/73/EC of 10 August 2006 implementing the above-mentioned directive:

  Articles 21-25 [of this Directive] provide in particular for:

  o a certain number of situations which may give rise to conflicts of interest between investment firms and their customers, persons linked to these firms and customers and, lastly between customers themselves;

  o the need for investment firms to introduce an effective policy to manage these conflicts of interest;

  o the need to keep a record of conflicts of interest that arise or which may arise.

This document describes:

- situations which contain the potential for conflicts of interest,
- the system for identifying these situations,
- the management and recording of conflicts that arise.

1. 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 21 of the Directive of 10 August 2006, the following situations may give rise to conflicts of interest. This list is not exhaustive however:

- 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 implement an effective policy of managing conflicts of interest.

2. The system for identifying conflicts of interest

In order to identify conflicts of interest, the Bank has drawn up a list of situations in which they may arise.

It has introduced internal procedures and checks aimed at identifying any such conflicts.

Lastly, it has trained its staff on this subject by means of circulating its compliance manual and related presentations.

3. 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 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.

Thus, the management of conflicts of interest may be summarised as follows:

- when a conflict arises, this must be reported by the member of staff involved to the compliance officer;
- based on the principles set out above, the compliance officer should propose a solution to deal with the conflict including at least the following:
  - o informing the customer where this is possible,
  - o choosing a solution that is in the customer's best interest,
  - o refraining from any action if the previous solution cannot be implemented.

Subsequently, the compliance officer should:

- 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, Crédit Agricole Luxembourg 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.

A more detailed document about Crédit Agricole Luxembourg's conflicts of interest policy is available on written request.

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