

## INDUCEMENT POLICY

Version n° 5

Approved at the meeting of the Board of Directors of *Banque de Patrimoines Privés* on January 23, 2025.

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## 1. INTRODUCTION

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*Banque de Patrimoines Privés S.A.* (hereinafter, the "Bank") has implemented a robust internal governance 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 to entities providing investment services in relation to the perception and payment of inducements.

Thus, in the preparation of this Inducements 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").
- ESMA Q&A providing further clarification on inducement rules.
- Law of May 30, 2018 on markets in financial instruments.
- Grand-ducal regulation of May 30, 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 or non-monetary benefits.
- CSSF guidance aligning MiFID II standards on inducements

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

The Applicable Regulations amend the inducement scheme established by the MiFID I Directive as it particularly aims at:

- (i) prohibiting the perception of inducements within the framework of discretionary management services. In these cases, it is expressly prohibited to receive fees, commissions or other benefits, whether monetary or otherwise, by a third party or person acting on behalf of a third party, when providing discretionary portfolio management services.

Only minor non-monetary benefits (hereafter referred as "MNMBs") may be used to improve the quality of the service provided to the clients, which must remain of a scale that does not give rise to conflicts with the Bank's duties to act honestly, fairly and professionally in accordance with the best interests of its clients and will not jeopardize the independence of the Bank.

- (ii) increasing transparency obligations *vis-à-vis* the clients in cases in which the Bank receives or pays inducements to third parties.

## 2. OBJECTIVE OF THE POLICY

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This Policy specifies a set of rules and conditions in addition to those established under the Conflicts of Interest Policy and Gifts and Entertainments Policy of the Bank. Those rules and conditions are complementary (i.e., not substitutive and/or alternative).

The purposes of this Policy are to:

- define the principles established by the Bank for the identification of inducements and the analysis on its nature; and

- define the general principles of the Bank for the communication to clients of the identified inducements.

### 3. SCOPE OF APPLICATION

This Policy is applicable for the provision of investment and/or ancillary services as well as to all employees and agents of the Bank, who carry out directly and indirectly activities related to the provision of investment and/or ancillary services. In this sense, all employees of the Bank, as well as their agents, have the duty to know, comply and apply this Policy.

Failure to abide by the provisions of this Policy may lead to disciplinary actions, up to (and including) dismissal.

### 4. INDUCEMENTS GENERAL PRINCIPLES

The inducement regime applicable under MiFID II is regulated as follows:

INDUCEMENTS REGIME UNDER MiFID II					
SERVICE	Independent Advice (service not offered by BPP)	Discretionary Portfolio Management	Non-Independent Advice (service not offered by BPP)	Reception and Transmission of Orders	Execution
INDUCEMENTS RECEIVED	Forbidden <input type="checkbox"/> Exception: <b>MNMBs can be perceived if:</b> a) disclosed to the client; b) do not interfere with the duty for the Bank to act with honesty, impartiality and professionalism in the best interest of its clients.		Allowed <input type="checkbox"/> As long as: a. disclosed to the Client; b. it increases the quality of the service provided to the client; and c. it does not harm the fulfilment of the obligation of the Bank to act with honesty, impartiality and professionalism in the best interest of its clients.		
INDUCEMENTS PAID	Allowed <input type="checkbox"/> As long as: a) disclosed to the client; b) it increases the quality of the service provided to the client; and c) it does not harm the fulfillment of the obligation of the Bank to act with honesty, impartiality and professionalism in the best interest of its clients.				

For the purposes of this Policy, inducements shall refer to payments and other benefits provided to, or received from, third parties, other than the clients, in the context of providing investment services and ancillary services. Inducements can be monetary (e.g. in the form of fees, commissions, rebates, discounts and other monetary benefits) or non-monetary (e.g. in the form of gifts, entertainment, research, access to IT software and other non-monetary benefits).

The Bank does not currently provide investment advice.

As regards reception and transmission of orders or an ancillary service, the Bank will not pay or charge fees or commissions to a third party, nor will provide or receive any non-monetary benefit of a third party in relation thereto, unless payment or benefit:

- has been designed to improve the quality of the relevant service provided to the client;
- does not harm the fulfilment of the Bank's obligation to act with honesty, impartiality and professionalism, in the best interest of its clients; and
- is justified by the provision of a continuing benefit to the client in relation to a continuous inducement and is disclosed to the client.

Certain payments and non-monetary benefits do not constitute inducements and, as such, do not fall in the scope of this Policy. These are:

- the payments provided to, or received from, a client or any party acting on behalf of a client;
- proper fees: payments or non-monetary benefits, which enable or are necessary for the provision of investment services, such as custody costs, settlement and exchange fees, regulatory levies or legal fees, and which by its nature cannot give rise to conflicts with the Bank's duties to act honestly, fairly and professionally in accordance with the best interests of its clients.

The existence, nature and amount of the payments or benefits of the allowed received or granted inducements must be disclosed to the client before the provision of the service. Nevertheless, when such amount cannot be determined, the method of calculation of that amount shall be clearly disclosed to the client in a complete, exact and understandable manner before the provision of the investment service or ancillary service.

It is a general principle under this Policy that the Bank guarantees that in its business relations, and in those services that may be affected by the prohibitions detailed in this Policy, no fees or commissions will be received or paid, nor will receive or will provide non-monetary benefits that may prevent its action in the best interest for its clients.

In any case, any inducement that the Bank may receive in relation to the provision of discretionary portfolio management services, shall be deemed not permitted and, in case of being perceived, will be transferred as soon as possible to the final client.

#### 4.1. Monetary inducements

The Bank shall not accept and retain any monetary inducements (i.e. fees and commissions) implying the Bank is acting differently than for the best interest of its clients and with a non-demonstrable quality enhancement of the service. All monetary benefits received that cannot be retained must be passed on to the client in full as soon as possible after receipt and no later than one month after receipt of the benefit.

#### 4.2. Acceptable MNMBs

Applicable regulations set out the benefits qualifying as acceptable MNMBs and provides further details on returning inducements to clients and disclosure, as follows:

- information or documentation relating to a financial instrument or an investment service which is either generic in nature or personalized to reflect the circumstances of an individual client;
- written material from a third party that is commissioned or paid for by a corporate issuer (or potential issuer) to promote a new issuance by the company, or contractually engaged and paid by the issuer to produce such material on an on-going basis, provided the relationship is clearly disclosed in the material and that the material is simultaneously made available to any investment firm wishing to receive it or to the general public;
- participation in conferences, seminars and other training events on the benefits and features of a specific financial instrument or an investment service;
- hospitality of a reasonable *de minimis value*, such as food and drink during a business meeting or a conference, seminar or the training events mentioned above; and

- other MNMBs which the Luxembourg authorities accept as capable of enhancing the quality of services provided to a client and, having regarded the total level of benefits provided by one entity or group of entities, are of a scale and nature that are unlikely to impair compliance with the Bank's duty to act in the best interests of the clients.

Criteria and reporting of acceptable MNMBs are further detailed in the following sections hereof.

#### 4.3. Criteria to establish the improvement of the quality of service

Subject to legal and regulatory conditions, a non-monetary fee, commission or benefit is deemed to be designed to raise the quality of the relevant service to a client if all of the following conditions are met:

- A.** it is justified by the provision of an additional or higher-level service to the relevant client, and is proportional to the level of inducements;
- B.** it does not directly benefit the receiving Bank, its shareholders or staff without a tangible benefit to such client;
- C.** it is justified by the provision of a continuing benefit to the client in relation to a continuous inducement.

The Delegated Directive 2017/593 provides in its article 11 a non-exhaustive list of examples of services that are considered "additional" or of a "higher level". Apart from the examples involving the provision of non-independent investment advice by the counterparty receiving an inducement, a "higher level of services" may be justified if the client is provided access, at a competitive price, to a wide range of financial instruments that are likely to meet its needs, including an appropriate number of instruments from third party product providers having no close links with the Bank, together with either:

- added-value tools, such as objective information tools helping the relevant client to take investment decisions or enabling it to monitor, model and adjust the range of financial instruments in which it has invested, or
- provision of more frequent periodic reports of the performance and costs and charges associated with the financial instruments.

#### 4.4. Not allowed inducements

The distribution of assets in discretionary managed portfolios is done in order to obtain the maximum possible benefit for the client and not in consideration of possible commercial strategies, so when the Bank provides portfolio management services, it will not accept nor retain fees, commissions, other monetary or non-monetary benefits paid or provided by a third party or by a person acting on behalf of a third party in relation to the provision of the service to client.

When providing any investment service including discretionary portfolio management, the Bank may accept MNMBs that may serve to increase the quality of the service rendered to the client and whose scale and nature are such that it cannot be considered as affecting the fulfillment by the Bank of the obligation to act in the best interests of its clients. However, such MNMBs must be disclosed clearly to the client as generic information included in any relevant investment service or ancillary service confirmation or confirmation with that client.

If the Bank has received an inducement not allowed by the provision of discretionary portfolio management, the client will be informed of the mechanisms that the Bank will use to transfer the fees, commissions or monetary benefits received by the provision of the investment service or the ancillary service.

The appropriate procedure to transfer not-allowed inducements to clients will be through a bank transfer to the client's account along with a communication detailing the amount paid.

## **5. ESSENTIAL MEASURES FOR THE IDENTIFICATION, RECORD AND JUSTIFICATION OF INDUCEMENTS**

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### **5.1. Inducements identification procedure**

The Bank's Client Acceptance Committee ("CAC"), through its participants, will be responsible for identifying and assessing the fees, commissions or benefits that will be paid or received in connection with the provision of investment services or ancillary services to clients in the framework of the approval process of a new business relationship, or the review of an existing business relationship, in order to adequately and proportionately justify if those fees, commissions or benefits may be regarded as permitted inducements. It is the responsibility of the sales function (employee of Wealth Management Department or Depositary Bank sales workforce) to highlight fees, commissions or benefits to be paid or received as part of the services rendered to clients during those committees.

The sales function will be responsible to demonstrate, based on appropriate documentation, that the inducements to be paid / received meet the conditions as defined in this Policy.. The CAC will decide, based on the elements shared by the sales function, whether inducements are permitted or non-permitted. In cases there are not, when it is concluded that the inducements do not represent an improvement of the service, the relevant instructions will be given by the CAC to transfer the amount as soon as possible to the final client(s). In the event that an already verified inducement changes its conditions or characteristics and becomes non-permitted, it will be suspended immediately by the Bank until the CAC has decided otherwise following a new verification to be performed by the Sales functions and recommendations issued by the Compliance function. If, as a result of the verification process, it is concluded that the new conditions/circumstances alter the allowed character of the inducement, the CAC shall decide that the concerned inducements are no more permitted and shall be returned to the final client(s).

The identification of each type of inducement by the CAC shall integrate the analysis of its justification in consideration of the requirement that such inducements shall only be considered permissible, *provided* they are designed to raise the quality of the relevant service rendered to the client.

The Compliance function of the Bank will be responsible for establishing a Permitted Inducement Registry that will integrate the following information:

- a) The inclusion of an internal list of all non-monetary fees, commissions and benefits paid or received by the Bank from third parties in connection with the provision of investment or ancillary services;
- b) Justification of how the non-monetary fees, commissions and benefits paid or received by the Bank or proposed to be used, increase the quality of the services provided to the relevant clients,
- c) Indication of the measures adopted in order not to impair the Bank's obligation to act honestly, fully and professionally in the best interests of its clients.

The aforementioned information is gathered in Annex I of this Policy.

The assessment and approval process may be documented in Annex II of this Policy.

**5.2. Procedures to inform clients about inducements**

In relation to payments or benefits paid to or received from third parties, the Bank shall disclose to the client the following information:

- i. Prior to the provision of the investment or ancillary service in question, the Bank will disclose to the client in the pre-contractual information sheet and in the orders the information regarding the benefit in question; the MNMBs may be described in a generic way, however, other non-monetary benefits received or paid by the Bank in relation to the investment service provided to a client will be quoted and disclosed separately.
- ii. Where the Bank has not been able to determine before disclosure the amount of a payment or benefit to be received or paid and has instead disclosed to the client the method of calculating that amount, it must also provide its clients with information concerning the exact amount of the payment or the benefit received or paid after. This information must be included in the confirmations of the orders (if possible), and if this is not possible, it must be informed in the first communication sent to the client (quarterly or annual).
- iii. At least once a year, and as long as the Bank pays or receives (continuous) inducements in relation to the investment services provided to the relevant clients, it will inform its clients individually of the actual amount of the payments or the benefits received or paid; the MNMBs can be described in a generic way. This information may be integrated in an annual communication on fees, expenses and benefits that the Bank will provide to the client each year.

If applicable, the Bank will also inform the client of the mechanisms to transfer to the client the fees, commissions or monetary and non-monetary benefits received for the provision of the investment service or the ancillary service.

**6. USE OF INDUCEMENTS IN RELATION TO RESEARCH**

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According to the Delegated Directive, research provided by a third party to an investment firm may be considered as an inducement under MiFID II.

Research will not be an inducement if the investment firm either directly pays for it out of its own resources or from a separate research payment account ("RPA"), which is controlled by the investment firm and which meets a number of conditions. In particular, if an RPA is being used, the RPA must be funded by a specific research charged to the client. In addition, as part of establishing an RPA, the investment firm must set up and regularly assess a research budget and then agree with the client:

- the research charge as budgeted; and
- the frequency with which the specific research charge will be deducted from the clients' resources over the year.

Publication and research received by the Bank are paid for by the Bank and not charged to its clients so that these publications and research do not qualify as inducements. The Bank also receives general financial communication and newsletters, considered as public and hence out of the inducement requirements scope.

As a consequence, the Bank may be considered as receiving no inducements in relation to research.



## 7. INDUCEMENT PAID TO THIRD PARTIES

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The Bank may enter into contractual arrangements with third parties either for enabling the Bank to acquire new clients or for supporting tri-partite relationship between the Bank, its client and a third-party services provider.

The cash flows between the Bank and those third parties will be subject to a detailed and specific analysis at the contractual phase to ensure that should they qualify as inducement; they will be complying with criteria mentioned in section 4 and will be disclosed to the client as required.

### **Specific case of Business Introducers**

Under certain conditions and limited to certain cases covered by a specific agreement, the Bank may share with business introducers part of the commissions it has invoiced its clients.

As a matter of principle, payments by the Bank to Client introducers should always be considered, at least initially, as an inducement paid to the latter within the meaning of MIFID II.

In this sense, payments to Client introducers can qualify as permitted inducements, where they comply with the application regulation to inducements related to the enhancement of the quality of the service provided and that they do not impair compliance with the investment firm's duty to act honestly, fairly and professionally in the best interests of its clients.

The Bank has chosen to adopt a one-off payment approach to Client/business introducers.

The remuneration of the business introducer should not lead to increasing the cost of the service to the detriment of the client.

The installments of this one-off inducement may be spread over a few years, to ensure a certain continuity in the relationship with the introduced client. The Bank has chosen to adopt a three-year maximum period for the installments to be paid in arrear if the client account is still opened. A minimum level of asset under management could also be agreed with the business introducer at the beginning of the relationship. The Bank can also include in the remuneration of the introducer an up-front payment. The structure of the payments will have to be detailed in the agreements between the Bank and each business introducer.

## 8. LIABILITY, DIFFUSION, UPDATE AND CONTROL OF THE POLICY

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This Policy, and any amendments thereto, must be approved by the Board of Directors of the Bank.

The Compliance function of the Bank owns this Policy.

The Compliance function of the Bank shall review the content of this Policy at least every two years or when a trigger event, such as, but not limited to, an amendment of the existing regulation, occurs.

The Compliance function of the Bank will provide regular reporting to the Board of Directors on the topic of MIFID II, including inducements.

Any deviation to this Policy must be escalated to the Compliance function of the Bank.

## 9. LEGAL REFERENCES\*

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Market in Financial Instrument Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014
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Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU
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Commission Delegated Directive (EU) 2017/593 of 7 April 2016 supplementing Directive 2014/65/EU
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Law of May 30, 2018 on markets in financial instruments
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Grand-ducal regulation of May 30, 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 or non-monetary benefits

\*non exhaustive

## 10. HISTORY

Version n°	Date	Author	Modification
1	06/12/2017	Bertrand Roche	Inception
2	22/11/2019	Jérôme Goepfert	Yearly update / Conversion to the Bank's policies' template
3	11/11/2022	Stelvio Solito	Update
4	11/11/2022	Vanessa Weber	Update
5	01/2025	Jonathan Stara	Update

## 11. ANNEXES

Annex I: List of inducements received and paid by *Banque de Patrimoines Privés* in relation with investment services provided. Updated

Monetary Inducements or non-monetary perceived benefits	Description	Measures to justify the increase in the quality of client service proportional to the benefit obtained	Inducement Calculation Method	Date of Approval by the Client Acceptance Committee
Monetary Inducement	Retrocessions perceived by [...] in relation with the Collective Investment Schemes under the Agreement [•]	<p>Illustrative example of justification for enhancing the quality of service.</p> <ul style="list-style-type: none"> <li>• The client can access Open Product Architecture (products of entities <i>Banque de Patrimoines Privés</i> Group + Third Parties)</li> <li>• The client receives follow-up of appropriateness (marketing)/suitability (advice) with a minimum annual frequency (which may be lower - semester, quarterly, monthly - depending on the service.</li> <li>• The client has access to information in the Pre-contractual Phase or in the Post-contractual Phase that allows him/her to compare the performance of his investment vs. other similar products.</li> <li>• The client will receive, at least annually, a report (which may be lower according to the level of service). Report of Expenses, Commissions, Costs, Inducements and Investment Evolution, which allows the total cost of the investment to be reported and its effect on the profitability of the investment made.</li> </ul>	[It must be obtained from the Distribution Agreement or from the Annex of financial terms and conditions]	

Non-Monetary Inducements	<p>Conversations about product and markets to the commercial network.</p> <p>Videos and publications in internal or external channels (social, Internet networks) about markets and funds with opinions of the manager.</p> <p>Monthly commercial sheets in French and English.</p>	<p>Illustrative example of minor inducement justification:</p> <p>[Inducement Description] it supposes a purely accessory benefit provided by the Supplier/Issuer of the product/service to the Group, whose performance provision in consideration of its value of market and scale (volume of hours/investment/cost) is limited in comparison with the habitual monetary inducements for this type of relations between the supplier of an instrument and the distributor.</p>	Not Applicable	
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## Annex II: Inducements Assessment and Approval Sheet

Identity of the intended Counterparty	
Current existing relationship between the Bank and the Counterparty	
Intended services between the Bank and the Counterparty	
Inducement description	<ul style="list-style-type: none"> <li>▪ Nature: <ul style="list-style-type: none"> <li><input type="checkbox"/> Monetary</li> <li><input type="checkbox"/> Non-Monetary</li> </ul> </li> <li>▪ In/Out: <ul style="list-style-type: none"> <li><input type="checkbox"/> Payment from the Bank to the Counterparty</li> <li><input type="checkbox"/> Perceived from the Counterparty</li> </ul> </li> <li>▪ Intended frequency of payment: <div>.....</div> <div>.....</div> <div>.....</div> </li> <li>▪ Intended amount to be paid or calculation method where not predefined:  <i>(Please base your answer on data retrieved from the (intended) agreement)</i> <div>.....</div> <div>.....</div> <div>.....</div> </li> <li>▪ Proportionality of the intended inducement: <div>.....</div> <div>.....</div> </li> </ul>

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Clients concerned	<ul style="list-style-type: none"> <li>▪ BP of the client(s) where specific: ..... ..... .....</li> <li>▪ MIFID services rendered to the client(s) by the Bank: ..... ..... .....</li> </ul>
Improvement quality of the service/ product	..... ..... ..... ..... ..... .....
Point of attention	<input type="checkbox"/> The Conflicts of Interest Policy is applied (e.g. if the inducement remains within the <i>Banque de Patrimoines Privés</i> and the client knows this circumstance).  <input type="checkbox"/> The Client(s) is/are or will be formally informed of the intended inducement  <input type="checkbox"/> There exist controls that ensure that the inducement is not going to influence the conduct of the Bank for the provision of the service/product.  <input type="checkbox"/> The inducement, by its nature and amount, is within the market standard (i.e. similarity exists in other banks, in the type of product/service of investment and its amount is within the market ranges).

	<p><input type="checkbox"/> The nature of the relationship between the Bank and the third party (who receives or pays the inducements) is or may be a potential source of conflicts of interest or otherwise that should be analyzed in a significant way. If yes, please provide a description of the potential conflict of interest and associated mitigating actions:</p> <p>.....</p> <p>.....</p> <p>.....</p> <p><input type="checkbox"/> The inducement does not suppose an over-cost for the client (neither in the fees that s/he supports nor in the pricing of the product / service).</p> <p><input type="checkbox"/> The inducement allows to compensate the performance of certain functions/actions by the Bank in the interest of the client (e.g. production of additional product information, specialized selection of product without advice, permanent support to the client on the operation, characteristics, etc. of the product/service).</p>	
Inducement assessment	<p><input type="checkbox"/> Allowed</p> <p><input type="checkbox"/> No Allowed</p>	
Areas of the Bank participants in the process of approval	Sales function	Identification & signature
	Compliance	Identification & signature
	Client Acceptance Committee	Identification & signature