

# BEMO Europe Inducements Policy

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## 1 Introduction

BEMO EUROPE BANQUE PRIVEE (hereafter referred as “BEMO” or the “Bank”), is a public limited company governed by the law of the Grand-Duchy of Luxembourg. It is registered with the Registre de Commerce et des Sociétés de Luxembourg under number B176452, with its registered office at 26, Boulevard Royal, L-2449 Luxembourg.

The Bank is authorized by the CSSF to carry out their activities pursuant to Article 2 of the Law of 5 April 1993.

BEMO EUROPE with the agreement of the CSSF and the ACPR has a branch in France, denominated as BEMO EUROPE BANQUE PRIVEE – Succursale de Paris (“Branch”). It is registered under RCS number 998269518 / CIB 17619 with its registered office at 63, Avenue Marceau, 75116 Paris.

The Bank has developed the current Inducements Policy (hereinafter referred to as “Policy”) in order to protect the client’s interests and to comply with the legal requirements set forth in the directives as available in the further section.

## 2 Legal Framework

Jurisdiction	Laws, regulations, and articles
European Union	<ul style="list-style-type: none"> <li>Article 23(1), 24(1), (7), (8), (9) and Article 27(2) of Directive 2014/65/EU of the Council of 15 May 2014 on markets in financial instruments</li> <li>Delegated Directive (EU) 2017/593</li> </ul>
Luxembourg	<ul style="list-style-type: none"> <li>Law of 5 April 1993 on the financial sector as amended</li> <li>CSSF Circular 07/307 as amended Chapter 8 Inducements</li> </ul>
France	<ul style="list-style-type: none"> <li>Code monétaire et financier</li> </ul>

Article 23(1) is set within the Operating conditions for investment firms’ provisions of MiFID II with particular focus on conflicts of interest, whereas each of Article 24 and Article 27 is set within the Investor protection provisions.

Detailed elaborations of the requirements are contained within the MiFID II Commission Delegated Directive 2017/593 (the “Delegated Directive”), Chapter IV of which focuses on inducements with successive Articles dealing with inducements generally, with inducements in respect of investment advice on an independent basis or portfolio management services, and with inducements in relation to research.

The above regulation does apply to BEMO Europe as a “credit institutions when providing investments services and activities” (within the meaning of Article 4(1), (2) of MiFID II)

### 3 Scope

This Policy applies to all fees, commissions and monetary and non-monetary benefits received or paid by the Bank and the Branch in connection with a service provided to the Bank's clients.

Additional rules on non-monetary benefits in the form of gifts are described in the Code of Conduct.

### 4 Inducements definitions and classification

#### 4.1 Definition

Inducements is a general name referring to varying types of incentives paid to financial intermediaries in exchange for the promotion of specific products or flows of business. Inducements can be monetary or nonmonetary benefits paid/received by the Bank to/from third parties, other than the client, in relation to the provision of an investment or ancillary service to a customer. As such, inducements could be potentially considered to be in conflict with banks activities when acting in the best interests of their clients and therefore need to be managed.

As per Article 24(7)(b) of MiFID II, inducements should apply to:

- Application - Service: Personal recommendations made on an independent basis only, in relation to MiFID financial instruments
- Application – Clients: Retail and professional clients
- Application – Products: MiFID financial instruments
- Nature of restrictions: Firms must not retain inducements, i.e., firms may accept inducements providing they pass the inducement to the client

#### 4.2 General Principles

When providing investment services or, where appropriate, ancillary services to clients, the Bank must act honestly, fairly and professionally in accordance with the best interests of their clients and must comply, in particular, with the principles set out in Article 24 [General principles and information] and in Article 25 Assessment of suitability and appropriateness and reporting to clients] of MiFID II. This is a core requirement of MiFID II, but not a new one as the same obligation was found within MiFID I.

Again, similar to MiFID I, MiFID II makes it clear at Article 24(9) that firms will not be regarded fulfilling their obligations under Article 23 (i.e. obligation to identify and prevent or manage conflicts) or their obligations under Article 24(1) (i.e. its obligation to act honestly, fairly and professionally etc.) where they pay or are paid any fee or commission, or provide or are provided with any non-monetary benefit in

connection with the provision of an investment service or an ancillary service, to or by any party except the client or a person on behalf of the client, other than where the payment or benefit:

- (i) is designed to enhance the quality of the relevant service to the client; and
- (ii) does not impair compliance with the firm's duty to act honestly, fairly and professionally in accordance with the best interests of its clients.

Such payment or benefit could be related but not exclusively to custody costs, settlement and exchange fees, regulatory levies or legal fees.

## 5 Quality enhancement criteria

A fee, commission or non-monetary benefit shall be considered to be designed to enhance the quality of the relevant service to the client if all of the following conditions are met:

- (i) it is justified by the provision of an additional or higher-level service to the relevant client, proportional to the level of inducements received, such as:
  - (a) the provision of non-independent investment advice on and access to a wide range of suitable financial instruments including an appropriate number of instruments from third party product providers having no close links with the investment firm;
  - (b) the provision of non-independent investment advice combined with either: an offer to the client, at least on an annual basis, to assess the continuing suitability of the financial instruments in which the client has invested; or with another on-going service that is likely to be of value to the client such as advice about the suggested optimal asset allocation of the client; or
  - (c) the provision of access, at a competitive price, to a wide range of financial instruments that are likely to meet the needs of the client, including an appropriate number of instruments from third party product providers having no close links with the investment firm, together with either the provision of added-value tools, such as objective information tools helping the relevant client to take investment decisions or enabling the relevant client to monitor, model and adjust the range of financial instruments in which they have invested, or providing periodic reports of the performance and costs and charges associated with the financial instruments;
- (ii) it does not directly benefit the recipient firm, its shareholders or employees without tangible benefit to the relevant client;
- (iii) it is justified by the provision of an on-going benefit to the relevant client in relation to an ongoing inducement.

A fee, commission, or non-monetary benefit will not be considered acceptable if the provision of relevant services to the client is biased or distorted as a result of the fee, commission or nonmonetary benefit. In addition, firms must fulfil the above requirements on an ongoing basis as long as they continue to pay or receive the fee, commission or non-monetary benefit.

## 6 Rules relating to inducements

### 6.1 Monetary Inducements

The Bank shall not accept and retain any Monetary Inducements (i.e. fees and commissions) implying acting in a different way to the best interest of 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 the receipt of the benefit.

### 6.2 Non-monetary Inducements

The Bank shall not accept and retain any Non-monetary Inducements that are not justified by an enhancement of the quality of the services provided of an equivalent value. The Bank must use all means necessary to block the receipt of Non-Monetary Inducements (i.e. contracts with suppliers).

### 6.3 Minor Non-monetary Benefits

Some Minor Non-monetary Benefits may be retained if they are qualified as Acceptable:

- Information or documentation relating to a financial instrument or service (generic in nature or personalized)
- Written material from a third party that is commissioned and paid for by a corporate issuer to promote a new issuance by the company, provided that the relationship is clearly disclosed and it is made available at the same time to any Investment firms or to the general public
- Participation in conferences, seminars and other training events on the benefits and features of a specific financial instrument or service
- Hospitality of a reasonable de minimis value (e.g. food and drink during a business meeting or conference, seminar or other training events)

### 6.4 Research and inducements

Where The Bank and the Branch provide reception and transmission of orders (“RTO”) services, they shall identify separate charges for bundled services and thus ensure that research costs are identified separately from RTO costs.

Provision of research shall not be considered as inducement where the Bank and the Branch receive in return for either of the following:

- Direct payments by the Bank or the Branch out of its own resources

- Payments from a separate research payment account controlled by the Bank or the Branch if the following conditions relating to the operation of the account are met:
  - The research payment account is funded by a specific research charge to the client.
  - The Bank or the Branch regularly assess a research budget as an internal administrative measure as part of establishing of such account and agreeing the research charge with the clients.
  - The Bank, or the Branch if applicable, are held responsible for the research payment account.
  - The Bank or the Branch regularly assess the quality of the research purchased based on predetermined quality criteria and its ability to contribute to better investment decisions.
  - The Bank and the Branch shall provide information to the client, before the provision of an investment service to clients, information about budgeted amount for research and the amount of the estimated research charge of each of them.

In addition, the Bank and the Branch shall annually provide information to the clients on the total costs that each of them has incurred for third party research.

Where the Bank operates a research payment account, it will provide a summary of the providers paid from this account, the total amount they were paid over a defined period, the benefits and services received by the Bank, and how the total amount spent from the account compares to the budget set by the firm for that period, noting any rebate or carry-over if residual funds remain in the account. For that purpose, the specific research charge shall:

- (a) only be based on a research budget set by the Bank for the purpose of establishing the need for third party research in respect of investment services rendered to its clients; and
- (b) not be linked to the volume and/or value of transactions executed on behalf of the clients.

Every operational arrangement for the collection of the client research charge, where it is not collected separately but alongside a transaction commission, shall indicate a separately identifiable research charge and fully comply with the conditions set above.

The total amount of research charges received may not exceed the research budget.

The Bank shall agree with clients, in the Bank's investment management agreement or general terms and conditions, the research charge as budgeted by the firm and the frequency with which the specific research charge will be deducted from the resources of the client over the year. Increases in the research budget shall only take place after the provision of clear information to clients about such intended increases. If there is a surplus in the research payment account at the end of a period, the firm should have a process to rebate those funds to the client or to offset it against the research budget and charge calculated for the following period.

The research budget shall be managed solely by the Bank and is based on a reasonable assessment of the need for third party research. The allocation of the research budget to purchase third party research

shall be subject to appropriate controls and senior management oversight to ensure it is managed and used in the best interests of the Bank's clients. Those controls include a clear audit trail of payments made to research providers and how the amounts paid were determined with reference to the quality criteria referred to above. Investment firms shall not use the research budget and research payment account to fund internal research.

As previously defined in this section, the Bank is held responsible for the research payment account, in order to achieve this purpose, the Bank may delegate the administration of the research payment account to a third party, provided that the arrangement facilitates the purchase of third-party research and payments to research providers in the name of the Bank without any undue delay in accordance with the Bank's instruction.

When providing execution services, the Bank shall identify separate charges for these services that only reflect the cost of executing the transaction. The provision of each other benefits or service by the same investment firm to investment firms, established in the Union shall be subject to a separately identifiable charge; the supply of and charges for those benefits or services shall not be influenced or conditioned by levels of payment for execution services.

#### 6.5 Payments of monetary and non-monetary fees, commissions and benefit by the Bank

The payments of monetary and non-monetary fees, commissions and benefits by the Bank and the Branch to third parties shall be subject to the same rules and requirements as receipts of such. The Bank shall ensure that the same rules are applied to payments as to receipts.

#### 6.6 Disclosure to clients

In relation to any payment or benefit received from or paid to third parties, firms must disclose to the client the following information:

- (i) prior to the provision of the relevant investment or ancillary service, the firm must disclose to the client information on the payment or benefit concerned. Minor non-monetary benefits may be described in a generic way. Other non-monetary benefits received or paid by the investment firm in connection with the investment service provided to a client shall be priced and disclosed separately;
- (ii) where a firm was unable to ascertain on an ex-ante basis the amount of any payment or benefit to be received or paid, and instead disclosed to the client the method of calculating that amount, the firm must also provide its clients with information of the exact amount of the payment or benefit received or paid on an ex-post basis; and
- (iii) (iii) at least once a year, as long as (on-going) inducements are received by the firm in relation to the investment services provided to the relevant clients, the firm must inform its clients on an individual basis about the actual amount of payments or benefits received or paid. Again, minor non-monetary benefits may be described in a generic way.

In relation to any payment or benefit received from or paid to third parties, investment firms must disclose to the client the following information:

- (a) prior to the provision of the relevant investment or ancillary service, the investment firm must disclose to the client information on the payment or benefit concerned in accordance with the second paragraph of Article 24(9) of Directive 2014/65/EU. Minor non-monetary benefits may be described in a generic way. Other non-monetary benefits received or paid by the investment firm in connection with the investment service provided to a client must be priced and disclosed separately;
- (b) where an investment firm was unable to ascertain on an ex-ante basis the amount of any payment or benefit to be received or paid, and instead disclosed to the client the method of calculating that amount, the firm must also provide its clients with information of the exact amount of the payment or benefit received or paid on an ex-post basis; and
- (c) at least once a year, as long as (on-going) inducements are received by the investment firm in relation to the investment services provided to the relevant clients, the investment firm must inform its clients on an individual basis about the actual amount of payments or benefits received or paid. Minor non-monetary benefits may be described in a generic way.

## 7 Governance requirements

The Bank and the Branch shall design their service offers, including identifying the service to be provided and additional services which would allow to enhance the quality of service and set up organisational requirements which are aligned with the service offer.

The Bank and the Branch shall collectively identify monetary and non-monetary inducements paid and received. For this purpose, the Bank shall implement and maintain a system and internal records which will enable the Bank to comply with the inducements requirements.

To ensure that the Bank and the Branch do not pay fees, commissions, or any monetary or non-monetary benefits which are banned, or conditions of which have not been met, the Bank and the Branch shall have in place procedures and systems to assess the nature of any service, benefit or material received from or provided to any third party to determine whether the Bank and the Branch can accept or provide it.

The Bank and the Branch shall have evidence that any fees, commissions, or non-monetary benefits paid or received are intended to enhance the quality of the services provided to clients. To this end, the Bank shall maintain a dedicated inducements register, which shall include the list of all fees, commissions and non-monetary benefits paid or received from third parties in relation to the provision of investment or auxiliary services, how the fees, commissions and non-monetary benefits paid or received enhance the quality of the services provided to the clients and specify steps taken to ensure that their obligation to act honestly, fairly, professionally and in the best interests of their clients is respected.

As set in Article 11(4) and (5) of the Delegated Directive 2017/593 of 7 April 2016, Investment firms must hold evidence that any fees, commissions or non-monetary benefits paid or received by the firm are designed to enhance the quality of the relevant service to the client:

(a) by keeping an internal list of all fees, commissions and non-monetary benefits received by the investment firm from a third party in relation to the provision of investment or ancillary services; and

(b) by recording how the fees, commissions and non-monetary benefits paid or received by the investment firm, or that it intends to use, enhance the quality of the services provided to the relevant clients and the steps taken in order not to impair the firm's duty to act honestly, fairly and professionally in accordance with the best interests of the client.

Such a register will be maintained by the Bank's and the Branch's functions and shall be sent to Compliance department annually at the end of the calendar year.

## 8 Review and ownership

This Policy shall be reviewed after any relevant changes to the regulatory framework occur or in the services provided by the Bank.

The Compliance Department is the owner of this Policy.