



**MUFG Lux Management Company S.A.**

**Inducements Policy**



**MUFG**

**Compliance  
Version 1.0**

## INDUCEMENTS POLICY

### **I. Applicable regulatory provisions**

- MIFID Directive 2004/39/EC (Level 1)
- MIFID Directive 2006/73/EC (Level 2)
- MIFID II Directive 2014/65/EU
- Luxembourg Law of 10 December 2010
- CSSF Circular 12/546, as amended by the CSSF Circular 15/633
- Regulation CSSF 10-04
- All appropriate ESMA guidelines related to MIFID requirements
- Commission Regulation (EU) 231/2013 of 19 December 2015 (AIFMD Level 2)
- AIFM Directive 2011/61/EU transposed into the Luxembourg Law of 12 July 2013

### **II. Definition of Inducement**

An inducement, is a payment or other benefit that is given by one person to another in relation to services which are provided to a third party client – for example, a payment made by an investment firm to somebody that brings a transaction or an investor to it.

Under such arrangements, there is a risk that the inducement may affect the impartiality of the person receiving it, leading him to act against the best interests of the client concerned.

MiFID's provisions relating to the protection of client's interests restrict investment firms which provide investment services, investment advise or general recommendations from giving or receiving inducements in relation to the provision of investment services to their clients, except under permitted conditions. UCITS and AIFM Directives provide for the same provisions to management companies of UCITS funds and Alternative Investments Funds respectively.

MUFG Lux Management Company S.A. ('MUFGLM') strives to ensure that in providing services to its clients, it acts at all times in an honest, fair and professional manner, and in the best interests of the funds and their clients. There may be a risk that the payment or receipt of an inducement may tend to influence either MUFGLM or another party to the transaction to act in a manner that puts its own interests (or those of a third party) above the interests of the client. The purpose of this policy is to ensure compliance of MUFG LM with its obligations under applicable regulations and to monitor inducements payments.

### **III. Principles**

The rules of conduct of MUFGLM remind these principles as defined under the Article 32 of the CSSF Regulation 10-04 and the Article 24 of AIFMD Level 2.

MUFGLM will not be regarded as acting honestly, fairly and professionally in accordance with the best interests of the funds it manages or the investors in these funds if, in relation to the activities performed when whilst carrying out of investment management, risk management, administration, marketing and any activities related to the assets of these funds, it pays or is paid any fee or commission, or provides or is provided with any non-monetary benefit, other than the following:

a) a fee, commission or non-monetary benefit paid or provided to or by the fund or a person on behalf of the fund in the normal course of business activities;

b) a fee, commission or non-monetary benefit paid or provided to or by a third party or a person acting on behalf of a third party, where the following conditions are satisfied:

i) the existence, nature and amount of the fee, commission or benefit, or, where the amount cannot be ascertained, the method of calculating that amount is clearly disclosed to the fund in a manner that is comprehensive, accurate and understandable, prior to the provision of the relevant service;

ii) the payment of the fee or commission, or the provision of the non-monetary benefit is designed to enhance the quality of the relevant services to the Fund and/or clients and not impair compliance with MUGCLM's duty to act in the best interests of the funds it manages and/or the investors in the fund;

c) proper fees which enable or are necessary for the provision of investments services, such as legal fees, and which, by their nature, do not give rise to conflicts with MUFGLM's duties to act honestly, fairly and professionally in accordance with the best interests of the fund it manages and/or the investors of the fund.

#### **IV. Conditions under which inducements may be given and received**

The circumstances of each case should be assessed on the reality of the situation and should be considered to protect the investor's interests and the interests of the funds in a fair manner. A fee, commission or non-monetary benefit linked to the normal course of business and services does not constitute a breach of the regulatory principles mentioned above. In case of any doubt or in case of any material change in existing fees (changes of amount, changes of the calculation of the payment, changes in fee flows), specific advice should be requested from Compliance.

The following general and non exhaustive categories of fees will be considered when determining if giving and/or receiving an inducement is allowed or banned.

These criteria aim to assess compliance of investment firms receiving inducements with the obligation to act honestly, fairly and professionally in accordance with the best interest of the funds and/or clients.

The non exhaustive fees, commissions and benefits permitted covers:

- In the majority of cases, fees and commissions are paid or received in relation to covered services as described in the contractual relationship between the management company and the fund.. Such fees or commissions will be paid by (or the rebate given to) the client itself or an agent acting on its behalf. However, in cases where MUFGLM is dealing with

a person who appears to be acting on behalf of the client, it must take care to ensure that this is indeed the case, and that the agent is fully accountable to the clients for all aspects of the transaction.

The fees involved for the provision of the covered services are: custody costs, settlement, management fees, performance fees, marketing fees, standard bank charges on transactions relating to securities and other assets, exchange fees, legal fees, remuneration on central administration, domiciliary and principal paying agent, any registration fees, any administration and publication expenses arising from the fund's operations, remuneration of the Board of Directors and officers of the Fund and their reasonable out of pocket expenses, insurance coverage, any other fees or costs as mentioned in the prospectus (distribution fees, investment management fees, subscription/redemption fees, ..), staff remuneration expenses, brokerage fees and commissions, taxes payable in relation to transactions, extraordinary expenses such as litigation or any tax, levy duty or any other charge imposed to the funds or assets, payment of the Luxembourg tax d'abonnement, ...

- MUFGLM will not be party to an arrangement where a third party acting as an agent of the client receives a benefit from or gives a benefit to MUFGLM, without disclosing this to the client.
- MUFGLM will monitor that (i) appointed investment managers and distributors follow the principles stated in this policy, (ii) have put in place internal policies on inducements and maintain these policies accurate and up-to-date. MUFGLM shall receive information on the investment manager's arrangements and distributor's arrangements on inducements on a regular basis.
- Commissions, fees or non-monetary benefits clearly designed to enhance the quality of any service. Among these specific inducements, introduction commissions paid to bring services to new clients or any non-monetary benefit such as; gifts and entertainments of reasonable value, provisions of marketing expenses, reimbursement of reasonable travels and accommodation costs linked to business trainings or trips, ...

## **V. Monitoring, inventory and review**

Compliance shall identify all inducements given or received in connection with the business, arisen from other situations which are not linked to usual benefits paid or provided to or by the fund itself or a person acting on its behalf.

Details of these inducements will be recorded and the reason for the inducements being assessed as permitted will be detailed and clarified.

## **VI. Disclosure to the Client**

MUFGLM aims to remain transparent and to deal openly and honestly with all of its clients in a manner which enables them to fully understand the nature of their transactions.

The nature and amount of the inducement will be disclosed to the client in a manner sufficiently clear to make it understandable for the client.

In case of client's request, it is admitted to provide only summary information, the complete information shall be made available to the client upon receipt of a specific request.

## **VII. Annual review of the principles**

Compliance will update the Policy whenever necessary.

Updates may occur in case of:

- changes in legislation;
- changes in business activities of MUFGLM
- conflicts of interest related to payments;
- organizational changes within MUFGLM;

## **VIII. Acknowledgement and approval**

This policy enters into force as of 16<sup>th</sup> March 2017. It is annually reviewed by the Compliance Officer and validated by the Conducting Officer in charge of the compliance function. It is then approved by the Board of Directors of the Management Company for entering into force.