

LUX-POL-011

Inducements Policy



Version	Approval Date	Responsible Areas	Approval
2.6	11/12/2024	Compliance	Board of Directors

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INDUCEMENTS POLICY

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1. INTRODUCTION

This document contains the policy on inducements (hereinafter, the “Policy”) of ANDBANK LUXEMBOURG, (hereinafter, the “Bank”), the purpose of which is to define the procedures and measures that must be applied in order to identify, classify, treat, record and disclose to clients any monetary or non-monetary benefits received or paid by the Bank. In particular, this policy:

- Defines the principles established by the Bank for identifying inducements and analyzing the nature of the inducements.
- Defines the general principles of the Bank governing the treatment to be given to such inducements as may be identified.

2. LEGAL FRAMEWORK

The legal framework for inducements is laid down specifically in Article 24(9) of MiFID Directive 2014/65/UE and Articles 11 - 13 of the Commission Delegated Directive (EU) 2017/593 of 7 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to safeguarding 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.

3. INDUCEMENTS DEFINITIONS AND CLASSIFICATION

3.1. 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 non-monetary 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.

3.2. Third party payments

In order to determine which benefits can constitute an Inducement, payments to/from third parties have to be split in three categories:

1. Payments to/from clients are not Inducements when they are directly related to the provision of services to these clients.
2. Proper fees are not subject to Inducement rules. However, in order to be considered a fee, the Bank must justify how the fee is necessary for the service provided and does not conflict with the Bank’s duties (i.e. to act fairly, honestly, professionally and in the best interest of its clients).
3. Third party benefits must be assessed regarding the following aspects:
 - a. The kind of client category for which the inducement is being paid (i.e. retail, institutional, etc.)
 - b. The country in which the client is based and the service takes place
 - c. The nature of the service being offered to the client (i.e. Execution Only, Advisory, Discretionary Portfolio Management, etc.)

- d. The inducement kind (i.e. Monetary, Non-monetary, etc.)
- e. Whether the inducement can be directly linked to the provision of a particular service
- f. Whether the inducement meets the “Quality Enhancement Criteria”

4. GENERAL PRINCIPLES TREATMENT OF INDUCEMENTS

As general principle, the Bank shall not pay or receive any inducements or commissions or receive any non-monetary benefit related with the provision of investment or ancillary services to a third party or from a third party that is not the client or the person who acts in his name. There can be exceptions to this principle as described on chapter 5. As part of the Bank’s normal activities, a continuous analysis on the treatment of inducements is constantly carried out, determining whether the entity could keep inducements meanwhile acting in best interest of its clients or these inducements should be delivered to clients.

The Mifid II updated inducement rules can be summarized as follows:

	EXECUTION ONLY	INDEPENDENT ADVICE	NON-INDEPENDENT ADVICE	DISCRETIONARY MANAGEMENT
Third-party inducements received	Permitted, under certain conditions	Not permitted	Permitted, under certain conditions	Not permitted
Prohibited or passed on to end-client	Not mandatorily	Permitted	Not mandatorily	Permitted
Disclosure to client	Permitted	Permitted	Permitted	Permitted
Quality enhancement	Permitted, under strict conditions	N/A		N/A
Minor non-monetary benefits	Permitted under strict conditions			
Third-party inducements paid	Permitted, under strict conditions (i.e. disclosure to the client, service quality enhancement and acting in the best interest of the client)			

4.1. Inducements in independent advice and DPM services

The revised leading principle under the MiFID II Framework expressly prohibits, for investor protection purposes, investment firms to accept and retain fees, commissions or any monetary and non-monetary benefits from third parties for the provision of an investment service to clients in the following two situations:

- ☐ Where the investment firm informs the client that the investment advice is being provided on an independent basis;
- ☐ Where the investment firm provides the client with a party discretionary portfolio management service.

The bank maintains a register of inducements and all inducements related to DPM contracts are repaid to the clients.

4.2. 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.

Particularly, in the case of the funds' rebates affecting DPM clients, considering that the operational process to calculate the exact amount to be reimbursed for each DPM client involves at a first stage the Operations department of Andbank Andorra (with the ulterior validation from the local Operations department), the monetary inducements will be credited on the clients' accounts no later than one month after the receipt from Andbank Andorra of these amounts to be reimbursed.

4.3. 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).

4.4. Research as a Non-monetary Benefit

Research is defined as material or services, which suggest or recommend an investment strategy, explicitly or implicitly, and provide a substantiated opinion as to the present or future value or price related to:

- One or more financial instruments or other assets
- The (potential) issuers of financial instruments
- A specific industry or market such that it informs views on financial instruments, assets or issuers within that sector.

Any material that contains analysis and original insights from which a reasonable investor may deduct an investment strategy may be considered as Research even if it does not specifically suggest an investment strategy. Research is deemed a Non-monetary Inducement and as such, it is subject to the rules on Inducements.

The Bank has decided non accepting research reports from third parties so clients will not be affected by these kinds of inducements.

4.5. 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).

4.6. Criteria for deeming a Non-monetary Benefits as Acceptable

- They can enhance the quality of the service provided to a client;
- They are of such scale and nature that they cannot interfere with the duty of the business to act in the client's best interest;
- They are clearly disclosed to the client before the relevant service is provided to the client. The disclosure must be generic in nature.

5. QUALITY ENHANCEMENT CRITERIA

If the Bank chooses to assess a Monetary or Non-monetary Benefit, rather than blocking it, the amount may only be accepted and retained if the Quality Enhancement criteria are met. This means that such benefits are designed to enhance the quality of the relevant service provided to the client, for which it has to meet the following conditions:

- The client receives a higher level of service proportional to the amount of inducement received by the bank:
 - Adding into the non-independent advisory service provision a wide range of suitable financial instruments and access to such instruments, including an appropriate number of third-party products not closely related to the entity.
 - Combining the non-independent advisory with the at least annual evaluation on the suitability of the financial instruments in which it has invested, or offering another continuous service that is of value to the client.
 - Giving access to a competitive price to a wide range of third party products not linked to the entity and tools that help the client to make informed investment decisions and monitor their investments or periodic information on the performance of their investments.
- It does not benefit the bank, its shareholders or employees, without a tangible benefit to the relevant client;
- For the case of an on-going inducement, it is justified by the provision of a benefit to the relevant client on an on-going basis.

The Bank shall not rely on a predetermined set of approved Inducements. The appropriateness of the increase in quality of a specific service provided to a client in relation to the inducement received must be assessed on a case-per-case basis.

Andbank Luxembourg shall be keeping an internal list of all fees, commissions and non-monetary benefits received by the Bank from a third party in relation to the provision of investment or ancillary services, and also will record how the fees, commissions and non-monetary benefits paid or received by the entity, 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.

6. DISCLOSURE OF INDUCEMENTS

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

- Prior to the provision of the service, 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 if any, received or paid by the bank in connection with the investment service provided to a client shall be priced and disclosed separately.
- If the Bank is 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, Andbank shall also provide its clients with information of the exact amount of the payment or benefit received or paid on an ex-post basis.
- At least once a year, as long as (on-going) inducements are received by the Bank in relation to the investment services provided to clients, clients will be informed on an individual basis about the actual amount of payments or benefits received or paid.

7. CONTROLS

The bank maintains a register of inducements and all inducements related to DPM contracts are repaid to the clients.

Middle Office department executes a quarterly first line of defense control on all the inducement received: the inducement received on DPM contracts accounts are repaid to the clients.

Compliance department performs a second line of defense control on the reimbursements executed by the Middle Office department with the verification of the correct application of the Mifid II regulation regarding inducement received on DPM contracts and disclose to the RTO clients of any payment or benefit received from or paid to third parties.

8. DOCUMENT TRACKING

Version	Approval Date	Responsible Areas	Approval
1.0	12/04/2013	Compliance	Board of Directors
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