
Inducements Policy

Last update

16/06/2022

Table of Contents

1. Applicable regulatory provisions.....	3
2. Definition of inducement.....	3
3. Conditions under which inducement may be given or received.....	4
4. Monitoring and review.....	5
5. Disclosure.....	5

DO NOT COPY

1. Applicable regulatory provisions

- Law of 12 July 2013 on alternative investment fund managers (AIFM Law) transposing Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers (“AIFMD”);
- Law of 17 December 2010 relating to undertakings for collective investment, transposing Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (“UCITS Law”);
- Luxembourg Law of 30 May 2018 on markets in financial instruments, transposing Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments (“MiFID”);
- CSSF Regulation 10-04 as regards organisational requirements, conflicts of interest, conduct of business, risk management and content of the agreement between a depositary and a management company (“CSSF Regulation 10-04”);
- Circular CSSF 18/698 on authorisation and organisation of investment fund managers incorporated under Luxembourg law - Specific provisions on the fight against money laundering and terrorist financing applicable to investment fund managers and entities carrying out the activity of registrar agent (“Circular 18/698”);
- All appropriate ESMA guidelines related to MiFID requirements.

2. 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 (e.g. 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 advice or general recommendations, from giving or receiving inducements in relation to the provision of investment services to their clients, except under permitted conditions. UCITS Law and AIFMD provide for the same provisions to management companies of UCITS funds and Alternative Investments Funds respectively.

MUFG Lux Management Company S.A. (hereinafter “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 interest 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 or the fund.

The purpose of the Inducements policy (hereinafter “the Policy”) is to ensure compliance of MUFGLM with its obligations under applicable regulations relevant to inducements.

3. Conditions under which inducement may be given or received

The rules of conduct relevant to inducements are defined under Article 32 of the CSSF Regulation 10-04. 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 portfolio 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.

The non-exhaustive permitted fees, commissions and benefits cover, in the majority of cases, fees and commissions that are paid or received in relation to 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 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 involve: 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.

- 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 MUFGLM's duty to act in the best interests of the funds it manages and/or the investors in the fund.

These specific inducements, a) and b), may include the 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.

- c) proper fees which enable or are necessary for the provision of investments services, such as legal fees and statutory auditor 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.

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 the compliance function.

MUFGLM will monitor that appointed investment managers and distributors follow the principles stated in the Policy and that they 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.

4. Monitoring and review

The compliance department shall identify all inducements given or received by MUFGLM 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 and register them. For this purpose an Inducements Register is put in place.

Details of inducements will be recorded and the reasons for the inducements being assessed as permitted will be detailed and clarified in the Inducements Register.

5. Disclosure

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.

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. Where accepted, 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, MUFGLM is admitted to provide only summary information.