

## Introduction

Bank of America Merrill Lynch (“BofAML” or the “Firm”) has obligations to identify, prevent or manage conflicts of interest which may arise in the course of providing in-scope services to clients.

MiFID II requires an investment firm to act honestly, fairly and professionally in accordance with the best interests of its clients when providing in-scope services, which include investment research and financial analysis or other forms of general recommendations relating to transactions in financial instruments.

EEA based Investment firms, such as Merrill Lynch International, providing both execution and research services to in-scope EEA Investment Managers are required to price these services separately (referred to as “unbundling”) and to comply with the requirement to not accept and retain fees, commissions or any monetary or non-monetary benefits in relation to those in-scope services.

## Requirements

This document applies to the Firms Global Banking and Markets divisions in its dealings with in-scope EU Investment Managers and sets out the requirements of rules in the UK COBS and other EEA countries implementing Articles 11-13 of the Markets in Financial Instrument Directive II (‘MiFID II’).

Under MiFID II, Inducements generally refer to incentives which may be provided in connection with the provision of an investment service (Such as Investment Research or Sales Market Commentary) or ancillary service to a client.

MiFID II prohibits the receipt and retention of all monetary and non-monetary benefits from third-party firms, or services which could be construed as being an inducement unless considered minor in nature. However, the following may be permissible provided that the conditions set out below are adhered to:

- I. Investment firms may accept a payment or receive a fee, commission or non-monetary benefit paid provided by any third party, or a person acting on behalf of a third party, in relation to in-scope services.
- II. Investment firms may also make a payment or pay a fee, commission or non-monetary benefit to any third party, or a person acting on behalf of a third party, in relation to in-scope services.

In both circumstances, the following conditions must be met in relation to those services:

- a. The payment or benefit provided is designed to enhance the quality of the service to the client; and
- b. The payment or benefit does not impair compliance with the investment firm’s duty to act honestly, fairly and professionally and in accordance with the best interests of its clients.

The payment or benefit which enables or is necessary for the provision of investment services, including but not limited to, settlement and exchange fees, regulatory levies or legal fees, and which by its nature cannot give rise to conflicts with the investment firm’s duties to act honestly, fairly and professionally in accordance with the best interests of its clients, is not subject to the requirements set out in this document.

## **Research, Communications and Other Materials**

Communications including other material or services provided to in-scope EEA clients must be categorized by the Firm as either research or a minor non-monetary benefit. It is important to note that although the Firm might categorize material or a service as non-substantive or as market colour, or where the material is produced by a trading desk, this does not necessarily mean that the material or service can be categorized by the recipient as a minor-non-monetary benefit. MiFID II places an obligation on recipients, such as asset managers, to categorise the content they receive from the Firm as either research or a minor non-monetary benefit.

## **Disclosures**

The Firm is required to make a record of and maintain a list of all fees, commissions or non-monetary benefits paid or received by the Firm which evidences the enhanced quality of service to the client.

Prior to the provision of the relevant service investment firms are required to clearly disclose information related to all costs and charges associated with investment and ancillary services to in-scope EEA investment managers. Disclosure of inducements must be made before the service is provided and must be fair, clear and not misleading.