

# BofAML Product Governance Summary Information

Updated 11 April 2019

## **Introduction**

### **Scope and Role**

Bank of America Merrill Lynch (“BofAML”, including Bank of America Merrill Lynch International Designated Activity Company, BofA Securities Europe Société Anonyme, Merrill Lynch International and others. See also [BofAML Entities List](#).) offers, through its entities that are in scope for MiFID II, to its clients and counterparties globally a number of financial instruments and services that are in scope for MiFID II. BofAML entities may act as manufacturer (including co-manufacturing with other firms), distributor or intermediate distributor, where a BofAML entity is a part of a distribution chain.

### **Product & Target Market Assessments**

Contained herein, for the benefit of BofAML’s clients and counterparties that may act as distributor or intermediate distributor, is information relating to the assessment of target end clients for products manufactured or distributed by BofAML entities. The scope of these products generally includes financial instruments that are transferable.

### **Product Approvals**

New products are approved via forum including senior front office sponsorship and review and approval from support and control partners. Approvals of new products are performed ad hoc, and products are reviewed regularly.

### **Nature of Clients**

Through its entities that are in scope for MiFID II, BofAML transacts with and provides services to Professional Clients (including Elective Professional) and Eligible Counterparties, as defined under MiFID II.

It’s expected that the products in which we transact and the services that we provide are not treated by our clients and counterparties as suitable for distribution to retail clients unless expressly permitted otherwise.

# BofAML Product Governance Summary Information

Updated 11 April 2019

## Product Sets

Equities	3-10
Cash Equity	3
Exchanged-Trade Funds	4
Investment Trusts and REITS	5
Listed Futures and Options	6
Equities Fund Products (UCITS and AIFs)	7
Convertible and Exchangeable Bonds/Notes	8
Equities Securitized/Structured Products (Notes, Certificates and Warrants)	9-10
Fixed Income, Currencies and Commodities (FICC)	11-26
Corporate Bonds for Professionals	11
Corporate Bonds for Retail	12-13
Covered Bonds for Professionals	14
Covered Bonds for Retail	15-16
Sovereigns, Supranationals and Agencies (SSA) for Professional Clients	17
Sovereigns, Supranationals and Agencies (SSA) for Retail Clients	18-19
Securitized Products (ABS/CLOs/Repacks)	20-21
Contingent Convertible (CoCos)	22
Commodity-Linked Structured Products	23
Commodity Futures	24
FICC Securitized/Structured Products (Notes, Certificates and Warrants)	25-26

## Equities

### Cash Equity

#### Overview

Bank of America Merrill Lynch offers its clients access to buy and sell Cash Equity instruments. Cash Equity instruments are listed on regulated global stock markets (e.g., mass-market shares) for trading and may be traded on one or more regulated exchanges or over the counter (OTC).

Clients typically represent their interest via an order which once matched (either on more or more regulated exchanges) or via OTC agreements as described below.

#### BofAML Role

- Manufacturer
- Distributor – Intermediate
- Distributor – End Client

Notes:

Within Capital Markets, BofAML acts a manufacturer or co-manufacturer. In Secondary Markets, BofAML acts as an intermediary and distributor of this product.

#### The type of clients to whom the product is targeted

This product may be appropriate for certain:

- Eligible Counterparties (ECP)
- Per Se Professionals
- Elective Professionals – Local Authorities opted up
- Elective Professionals – Retail opted up
- Retail – Local Authorities
- Retail – (other than Local Authorities)

No negative target market client type has been identified.

#### Execution Channel

- Advised
- Discretionary
- Execution-only

## Exchanged-Trade Funds

### Overview

Bank of America Merrill Lynch offers its client's access to Exchange-Traded Funds (ETFs).

ETFs are mostly organized under the European Union's Undertakings in Collective Investment in Transferable Securities Directive ("UCITS"), and many are listed on European exchanges.

ETFs are structured so that investors can purchase and sell ETF shares/units on the applicable listing exchange at the current market price, and large institutional investors known as "authorised participants" (or "market makers") can create or redeem ETF units directly with an ETF issuers.

### BofAML Role

- Distributor – Intermediate
- Distributor – End Client

Notes:

BofAML may act as an intermediary and distributor of this product in the form of an Authorised Participant for certain ETF Issuers.

### The type of clients to whom the product is targeted

This product may be appropriate for certain:

- Eligible Counterparties (ECP)
- Per Se Professionals
- Elective Professionals – Local Authorities opted up
- Elective Professionals – Retail opted up
- Retail – Local Authorities
- Retail – (other than Local Authorities)

No negative target market client type has been identified.

### Execution Channel

- Advised
- Discretionary
- Execution-only

## Investment Trusts and REITS

### Overview

Bank of America Merrill Lynch offers its clients access to buy and sell listed shares of investments trusts and real estate investment trusts (REITs).

Investment trusts and REITs are public companies or trusts that invest in portfolios of assets (a form of collective investment). The shares of/interests in the company/trust are submitted for trading on regulated venues. For simplicity, this product overview refers to these shares and interests as “shares”.

### BofAML Role

- Distributor – Intermediate
- Distributor – End Client

Notes:

BofAML may act as an intermediary and distributor of these products.

### The type of clients to whom the product is targeted

This product may be appropriate for certain:

- Eligible Counterparties (ECP)
- Per Se Professionals
- Elective Professionals – Local Authorities opted up
- Elective Professionals – Retail opted up
- Retail – Local Authorities
- Retail – (other than Local Authorities)

No negative target market client type has been identified.

### Execution Channel

- Advised
- Discretionary
- Execution-only

## Listed Futures and Options

### Overview

Bank of America Merrill Lynch offers to its client's access to trade standardized derivative contracts listed on regulated exchanges that offer exposure to the performance of a variety of reference assets. The performance of the derivative may be linearly (e.g., futures) or non-linearly (e.g., options) related to the performance of one or more reference assets.

These product are standardized contracts between BofAML and its clients and the terms of which are set by the relevant exchanges.

The contracts may be used for hedging needs or for expressing investment views on given assets.

The reference assets may span multiple asset classes, including equity, fixed income and commodity related references.

### BofAML Role

- Distributor – End Client

Notes:

BofAML acts as distributor to the end client. The contracts are bilateral and not themselves transferrable. It's noted, however, that clients may engaged in contracts on the same exchange-based terms with their own clients through indirect clearing chains.

### The type of clients to whom the product is targeted

This product may be appropriate for certain:

- Eligible Counterparties (ECP)
- Per Se Professionals
- Elective Professionals – Local Authorities opted up
- Elective Professionals – Retail opted up

No negative target market client type has been identified.

### Execution Channel

- Execution-only

## Equities Fund Products (UCITS and AIFs)

### Overview

Bank of America Merrill Lynch, via its subsidiary CM Investment Solutions Limited, manufactures and distributes a variety of Collective Investment / Fund Products. These can be, for example, UCITS Funds or Alternative Investment Funds (AIFs).

These fund products have a wide variety of investment strategies and policies. They may appoint 3<sup>rd</sup> party investment managers who would have discretionary portfolio management authority for the funds. Some funds may also provide access to passive indices/strategies developed by other teams within BofAML.

Investors in the funds will participate in the performance of the investment strategies. Fund investors are not on-boarded as clients of BofAML, but rather as clients of the Fund entities as required by the relevant regulations. The funds will appoint third party service provider to provide key functions as required by regulations and is standard market practice including in the roles of Administrator, Depository and Registrar.

### BofAML Role

- Manufacturer
- Distributor – Intermediate
- Distributor – End Client

Notes:

BofAML acts as both a manufacturer and distributor of Fund Products.

BofAML ONLY distributes Fund Products directly to Professional Clients/ECPs.

BofAML appoints third-party distributors for Fund Products who may distribute such products to Retail end clients. This is done in accordance with BofAML's associated policy procedures, and processes, as referenced under Governance below ("3PD Process").

### The type of clients to whom the product is targeted

This product may be appropriate for certain:

- Eligible Counterparties (ECP)
- Per Se Professionals
- Elective Professionals – Local Authorities opted up
- Elective Professionals – Retail opted up
- Retail – Local Authorities
- Retail – (other than Local Authorities)

BofAML intends to appoint third-party distributors for Fund Products who may distribute such products to retail end clients. This is done in accordance with BofAML's 3PD processes.

### Execution Channel

- Advised (via 3PD processes only)
- Discretionary (via 3PD processes only)
- Execution-only (NOT For Retail)

## Convertible and Exchangeable Bonds/Notes

### Overview

Bank of America Merrill Lynch offers clients a variety of convertible, exchangeable and mandatory convertible bonds and notes issued on a standalone basis where the investor may be entitled to receive from the issuer either (i) payment of a proportion of the amount invested at issue of the product by reference to the relevant redemption formula or (ii) (depending on the type of convertibility, mandatory convertibility or exchangeability) an amount of shares at a pre-determined date or dates of conversion or exchange by reference to the relevant conversion or exchange formula.

Bonds and notes may be issued by corporates, financial institutions, or governmental or public bodies or supra-national bodies.

### BofAML Role

- Manufacturer
- Distributor – Intermediate
- Distributor – End Client

Notes:

Within Equity-Linked Capital Markets, BofAML acts a manufacturer or co-manufacturer.

In Secondary Markets, BofAML acts as an intermediary and distributor of this product.

### The type of clients to whom the product is targeted

This product may be appropriate for certain:

- Eligible Counterparties (ECP)
- Per Se Professionals
- Elective Professionals – Local Authorities opted up
- Elective Professionals – Retail opted up

This product is NOT appropriate for (i.e., Negative Target Market):

- Retail – Local Authorities
- Retail – (other than Local Authorities)

BofAML, when acting as ‘manufacturer’ may choose to limit its distribution to investors who meet the test of ECP and Per Se Professionals.

BofAML, when acting as ‘distributor’ (i.e., in secondary markets trading) may however distribute to investors who meet the test of Elective Professional in line with our policies and procedures.

### Execution Channel

- Execution-only



## **Equities Securitized/Structured Products (Notes, Certificates and Warrants)**

### **Overview**

Bank of America Merrill Lynch offers clients a variety of Securitized/Structured Products. These can be issued in the form of notes, certificates and warrants.

These securitized/structured products have returns referencing one or more market-linked underlyings.

A holder or investor is contractually entitled to receive either an amount or amounts which are fixed or calculated using a defined formula and reference underlying and which may be cash settled or settled in the physical form of an amount of shares or similar such underlying.

A holder or investor of Securitized/Structured Products bears the credit risk of the issuer, which may or may not be rated and may or may not have a guarantor. The products are typically issued in unsecured form, but can also be found in a secured form where collateral can be a variety of assets.

### **BofAML Role**

- Manufacturer
- Distributor – End Client

Notes:

BofAML acts as both a manufacturer and distributor of Securitized/Structured Products.

BofAML does not distribute Securitized/Structured Products directly to Retail clients.

Where BofAML acts as a “Distributor – End Client”, then such End Client must be an Eligible Counterparty or Professional Counterparty only. There should be no onward distribution and such counterparties are deemed to confirm that they will not distribute or on sell the Instruments to any other party and that they are not a discretionary asset manager managing retail accounts.

Where BofAML acts as a manufacturer only, then distribution is via a third-party distributor and therefore is done in accordance with BofAML’s associated internal policy, “12.96 Global Markets Third Party Distribution of Structured Products”, and associated procedures and processes. This policy stipulates additional requirements (E.g. requirements for incremental due diligence of distributors, distribution agreements, stress-testing, PRIIPs KIDs and more detailed granularity specific to target market assessments). As a consequence if you are considering to undertake any such activity in relation to a BofAML product you will need to contact the relevant BofAML sales-person to discuss arrangements and obtain explicit consent in order to do so.

### **The type of clients to whom the product is targeted**

This product may be appropriate for certain:

- Eligible Counterparties (ECP)
- Per Se Professionals
- Elective Professionals – Local Authorities opted up
- Elective Professionals – Retail opted up

Note: BofAML does not distribute these products directly to Retail clients. Where BofAML acts as a manufacturer only, then distribution is via a third-party distributor and therefore it is undertaken in accordance with BofAML’s associated policy, “12.96 Global Markets Third Party Distribution of Structured Products”, and associated procedures and processes (“3PD processes”). Subject to such policy and

# BofAML Product Governance Summary Information

Updated 11 April 2019

procedure requirements this product may in addition be appropriate for discretionary asset manager managing retail accounts and for:

- Retail – Local Authorities
- Retail – (other than Local Authorities)

## **Execution Channel**

- Advised
- Discretionary
- Execution-only

## Fixed Income, Currencies and Commodities (FICC)

### Corporate Bonds for Professionals

#### Overview

Bank of America Merrill Lynch sells to clients (both at primary issuance and in the secondary market) a variety of bonds and notes, PIK notes, short term commercial paper and certificates of deposit (collectively, “Securities”) (whether issued on a standalone basis or issued under an issuance programme) where the investor is contractually entitled to receive payment equivalent at least to the amount invested on issuance of the product, unless the principal is at risk by means of the product’s structured payoff.

Securities may be issued by a wide range of public or private companies and financial institutions (including BofAML) either directly or indirectly through an affiliated SPV with the benefit of a parent guarantee (collectively “Corporate Issuers”) with varying terms and varying levels of risk. Ratings assigned by Rating Agencies are a common way of assessing the relative credit risk of Corporate Issuers.

#### BofAML Role

- Manufacturer
- Distributor – Intermediate
- Distributor – End Client

#### Notes:

For primary issuance of Securities, BofAML may act as manufacturer and distributor of this product.

For secondary trading of Securities, BofAML will act as distributor.

#### The type of clients to whom the product is targeted

All securities issued by Corporate Issuers may be appropriate for certain:

- Eligible Counterparties (ECP)
- Per Se Professionals
- Elective Professionals – Local Authorities opted up
- Elective Professionals – Retail opted up

It is anticipated that BofAML will only distribute the Securities to investors who meet the criteria of ECP and Professional Clients (and, in the case of Elective Professional, in line with its policies and procedures described in the Governance section below). Each distributor to whom BofAML sells is responsible for undertaking its own target market assessment and determining appropriate distribution channels.

#### Execution Channel

- Advised
- Discretionary
- Execution-only

## Corporate Bonds for Retail

### Overview

Bank of America Merrill Lynch sells to clients (both at primary issuance and in the secondary market) a variety of bonds and notes, (collectively, “Securities”) (whether issued on a standalone basis or issued under an issuance programme) where the investor is contractually entitled to receive payment equivalent at least to the amount invested on issuance of the product.

Securities may be issued by a wide range of public or private companies and financial institutions (including BofAML) either directly or indirectly through an affiliated SPV with the benefit of a parent guarantee (collectively “Corporate Issuers”) with varying terms and varying levels of risk. Ratings assigned by Rating Agencies are a common way of assessing the relative credit risk of Corporate Issuers.

This product overview relates to:

Senior Securities issued by Corporate Issuers which are listed on an EU or UK regulated market and categorised as non-complex under ESMA’s Final Report and Guidelines 2015 and which are non-packaged under the PRIIPS Regulations

### BofAML Role

- Manufacturer
- Distributor – Intermediate
- Distributor – End Client

Notes:

For primary issuance of Securities, BofAML may act as manufacturer and distributor of this product.

For secondary trading of Securities, BofAML will act as distributor.

### The type of clients to whom the product is targeted

Senior Securities issued by Corporate Issuers which are listed on an EU or UK regulated market and categorised as non-complex under ESMA’s Final Report and Guidelines 2015 and which are non-packaged under the PRIIPs Regulations may be appropriate for certain:

- Eligible Counterparties (ECP)
- Per Se Professionals
- Elective Professionals – Local Authorities opted u
- Elective Professionals – Retail opted up
- Retail – Local Authorities
- Retail – (other than Local Authorities)

It is anticipated that BofAML will only distribute the Securities to investors who meet the criteria of ECP and Professional Clients (and, in the case of Elective Professional, in line with our policies and procedures). Each distributor to whom BofAML sells is responsible for undertaking its own target market assessment and determining appropriate distribution channels.

Offers conducted on behalf of the above type of issuing entities for the above type of Securities may have an end target market which includes Retail (on an initial and ongoing basis) due to the non-complex /non-packaged nature of the Securities and the “base case” is that, without taking a view based on specific knowledge of individual end investors, such Securities should be considered compatible in most cases with

# BofAML Product Governance Summary Information

Updated 11 April 2019

an end target market of Retail investors who are looking for contracted repayment of the amount invested and need a predictable return profile. Protections are provided by law and regulation to protect Retail investors, who also have the ability of Retail investors to access (to the extent they require or wish) IFAs and other independent advisers.

It is noted however that, notwithstanding this assessment, it is anticipated that BofAML will only distribute the Securities to investors who meet the criteria of ECP and Professional Clients (and, in the case of Elective Professional, in line with our policies and procedures).

Each distributor to whom BofAML sells is responsible for undertaking its own target market assessment and determining appropriate distribution channels.

Negative Target Market of Retail investors who are fully risk averse/have no risk tolerance or are seeking on-demand full repayment of the amounts invested.

The features of the Securities described above and the fact that they do not meet the needs of investors of this type, are generally well understood, including by Retail investors, who have the ability to access (to the extent they require or wish) IFAs and other independent advisers.

## **Execution Channel**

- Advised
- Discretionary
- Execution-only

## Covered Bonds for Professionals

### Overview

Bank of America Merrill Lynch sells covered bonds to clients (both at primary issuance and in the secondary market). Covered bonds are debt securities issued by a bank or mortgage institution and collateralised against a pool of assets (typically residential mortgage loans, but can also include public debt or ship loans) that, in case of failure of the issuer, can cover claims at any point of time. They are subject to specific legislation to protect bond holders. The bond holders have recourse against both the pool of assets and against the issuer.

### BofAML Role

- Manufacturer
- Distributor – Intermediate
- Distributor – End Client

Notes:

For primary issuance of covered bonds, BofAML may act as manufacturer and distributor of this product.

For secondary trading of covered bonds, BofAML will act as distributor

### The type of clients to whom the product is targeted

All covered bond types may be appropriate for:

- Eligible Counterparties (ECP)
- Per Se Professionals
- Elective Professionals – Local Authorities opted up
- Elective Professionals – Retail opted up

It is anticipated that BofAML will only offer covered bonds to investors who meet the criteria of ECP or Professional Clients (and, in the case of Elective Professional, in line with our policies and procedures). Each distributor to whom BofAML sells covered bonds is responsible for undertaking its own target market assessment and determining appropriate distribution channels.

### Execution Channel

- Advised
- Discretionary
- Execution-only

## Covered Bonds for Retail

### Overview

Bank of America Merrill Lynch sells covered bonds to clients (both at primary issuance and in the secondary market). Traditional covered bonds (“**traditional covered bonds**”) are debt securities issued directly by a bank or mortgage institution and collateralised against a pool of assets (typically residential mortgage loans, but can also include public debt or ship loans) that, in case of failure of the issuer, can cover claims at any point of time. Covered bonds are listed on a stock exchange and are subject to specific legislation to protect the covered bond holders. The covered bond holders have recourse against both the pool of assets and against the issuer.

The term “traditional covered bonds” does not include off-balance sheet covered bonds which is where the financial institution transfers the assets to a special purpose vehicle which then issues the covered bonds.

### BofAML Role

- Manufacturer
- Distributor – Intermediate
- Distributor – End Client

Notes:

For primary issuance of covered bonds, BofAML may act as manufacturer and distributor of this product.

For secondary trading of covered bonds, BofAML will act as distributor

### The type of clients to whom the product is targeted

Traditional covered bonds may be appropriate for:

- Eligible Counterparties (ECP)
- Per Se Professionals
- Elective Professionals – Local Authorities opted up
- Elective Professionals – Retail opted up
- Retail – Local Authorities
- Retail – (other than Local Authorities)

Offers conducted on behalf of the above type of issuing entities for traditional covered bonds may have an end target market which includes Retail (on an initial and ongoing basis) due to the non-complex /non-packaged nature of the traditional covered bonds and the “base case” is that, without taking a view based on specific knowledge of individual end investors, such traditional covered bonds should be considered compatible in most cases with an end target market of Retail investors who are looking for contracted repayment of the amount invested and need a predictable return profile. Protections are provided by law and regulation to protect Retail investors, who also have the ability of Retail investors to access (to the extent they require or wish) IFAs and other independent advisers.

It is noted however that, notwithstanding this assessment, it is anticipated that BofAML will only distribute traditional covered bonds to investors who meet the criteria of ECP and Professional Clients (and, in the case of Elective Professional, in line with our policies and procedures).

# BofAML Product Governance Summary Information

Updated 11 April 2019

Each distributor to whom BofAML sells is responsible for undertaking its own target market assessment and determining appropriate distribution channels.

Negative Target Market of Retail investors who are fully risk averse/have no risk tolerance or are seeking on-demand full repayment of the amounts invested.

The features of the traditional covered bonds described above and the fact that they do not meet the needs of investors of this type, are generally well understood, including by Retail investors, who have the ability to access (to the extent they require or wish) IFAs and other independent advisers.

## **Execution Channel**

- Advised
- Discretionary
- Execution-only



## **Sovereigns, Supranationals and Agencies (SSA) for Professional Clients**

### **Overview**

Bank of America Merrill Lynch sells to clients (both at primary issuance and in the secondary market) a variety of unsecured bonds and notes, short term commercial paper and treasury bills (collectively, “Securities”) where the investor is contractually entitled to receive payment equivalent at least to the amount invested on issuance of the product.

Securities may be issued by a sovereign or federal state, a central, regional or local authority, a central bank of a sovereign state, the European Union, the ECB, the European Investment Bank and other EU and non-EU public authorities and agencies, public international supranational bodies to which one or more sovereign states belongs and other equivalent public legal entities in the SSA Issuer sector with varying terms and varying levels of risk. Ratings assigned by Rating Agencies are a common way of assessing the relative credit risk of SSA Issuers

### **BofAML Role**

- Manufacturer
- Distributor – Intermediate
- Distributor – End Client

Notes:

For primary issuance of Securities, BofAML may act as manufacturer and distributor of this product.

For secondary trading of Securities, BofAML will act as distributor.

### **The type of clients to whom the product is targeted**

All securities issued by SSA Issuers may be appropriate for certain:

- Eligible Counterparties (ECP)
- Per Se Professionals
- Elective Professionals – Local Authorities opted up
- Elective Professionals – Retail opted up

It is anticipated that BofAML will only distribute the Securities to investors who meet the criteria of ECP and Professional clients (and, in the case of Elective Professional, in line with our policies and procedures). Each distributor to whom BofAML sells is responsible for undertaking its own target market assessment and determining appropriate distribution channels.

### **Execution Channel**

- Advised
- Discretionary
- Execution-only

## **Sovereigns, Supranationals and Agencies (SSA) for Retail Clients**

### **Overview**

Bank of America Merrill Lynch sells to clients (both at primary issuance and in the secondary market) a variety of unsecured bonds and notes and treasury bills (collectively, “Securities”) where the investor is contractually entitled to receive payment equivalent at least to the amount invested on issuance of the product.

Securities may be issued by a sovereign or federal state, a central, regional or local authority, a central bank of a sovereign state, the European Union, the ECB, the European Investment Bank and other EU and non-EU public authorities and agencies, public international supranational bodies to which one or more sovereign states belongs and other equivalent public legal entities in the SSA Issuer sector with varying terms and varying levels of risk. Ratings assigned by Rating Agencies are a common way of assessing the relative credit risk of SSA Issuers.

This product overview relates to:

1. Non-complex securities issued by the United States Treasury, the UK or an EEA Member State or by regional or local authorities of the UK or an EEA Member State, by public international bodies of which the UK is a member or one or more Member States are members, by the European Central Bank or by the central banks of the Member States who are exempt from the Prospectus Directive and PRIIPS; and
2. Securities issued by SSA Issuers subject to the Prospectus Directive which are listed on an EU or UK regulated market and offered on a public offer compliant or exempt offer basis and categorised as non-complex under ESMA’s Final Report and Guidelines 2015 and which are non-packaged under the PRIIPS Regulations.

### **BofAML Role**

- Manufacturer
- Distributor – Intermediate
- Distributor – End Client

Notes:

For primary issuance of Securities, BofAML may act as manufacturer and distributor of this product.

For secondary trading of Securities, BofAML will act as distributor.

### **The type of clients to whom the product is targeted**

This product may be appropriate for certain:

- Eligible Counterparties (ECP)
- Per Se Professionals
- Elective Professionals – Local Authorities opted up
- Elective Professionals – Retail opted up
- Retail – Local Authorities
- Retail – (other than Local Authorities)

It is anticipated that BofAML will only distribute the Securities to investors who meet the criteria of ECP and Professional clients (and, in the case of Elective Professional, in line with our policies and procedures).

# BofAML Product Governance Summary Information

Updated 11 April 2019

Each distributor to whom BofAML sells is responsible for undertaking its own target market assessment and determining appropriate distribution channels.

Offers conducted on behalf of the above type of issuing entities and/or the above type of Securities may have an end target market which includes Retail (on an initial and ongoing basis) as a matter of public policy and/or due to the non-complex /non-packaged nature of the Securities and the “base case” is that, without taking a view based on specific knowledge of individual end investors, such Securities should be considered compatible in most cases with an end target market of Retail investors who are looking for contracted repayment of the amount invested and need a predictable return profile. Protections are provided by law and regulation to protect Retail investors, who also have the ability of Retail investors to access (to the extent they require or wish) IFAs and other independent advisers.

It is noted however that, notwithstanding this assessment, it is anticipated that BofAML will only distribute the Securities to investors who meet the criteria of ECP and Professional Clients (and, in the case of Elective Professional, in line with its policies and procedures).

Each distributor to whom BofAML sells is responsible for undertaking its own target market assessment and determining appropriate distribution channels.

Negative Target Market of Retail investors who are fully risk averse/have no risk tolerance or are seeking on-demand full repayment of the amounts invested.

The features of the Securities described above and the fact that they do not meet the needs of investors of this type, are generally well understood, including by Retail investors, who have the ability to access (to the extent they require or wish) IFAs and other independent advisers.

## **Execution Channel**

- Advised
- Discretionary
- Execution-only

## Securitised Products (ABS/CLOs/Repacks)

### Overview

#### Securitised Products

Bank of America Merrill Lynch sells a variety of securitised products to clients (both at primary issuance and in the secondary market) including:

Asset Backed Securities (ABS): debt securities issued by an orphan special purpose vehicle whose sole recourse is to a pool of underlying receivables and which include:

- Residential Mortgage Backed Securities (RMBS) where the underlying receivables are residential mortgages;
- Commercial Mortgage Backed Securities (CMBS) where the underlying receivables are commercial real estate loans;
- other types of ABS where the underlying receivables are other types of receivables e.g. consumer loans, auto loans or leases, credit cards, telecoms, power, whole business securitisations; and
- Islamic Finance structures involving the issuance of debt securities (or equivalent) which are ultimately backed by underlying receivables.

Collateralised Loan Obligations (CLOs): debt securities issued by an orphan special purpose vehicle collateralised by a pool of mainly corporate loans which may be actively managed by a portfolio manager. Variants of CLOs which may also be sold by BofAML include Collateralised Bond Obligations (CBOs) (where the underlying pool is mainly bonds) and Collateralised Debt Obligations (CDOs) where the pool may be a mixture of bonds, loans and/or synthetic exposure.

US Agency: securities or contractual arrangements which are issued by, or which reference, US residential mortgages wrapped by one of the US Mortgage Agencies (Freddie Mac, Fannie Mae, Ginnie Mae). For example Commercial Mortgage Obligations (CMOs); TBAs; Specified Pools; ARMs

Asset-backed Commercial Paper (ABCP): short-term debt securities collateralised by underlying financial assets and typically issued by a special purpose vehicle set up by a bank or other financial institution under a commercial paper programme (also known as a conduit).

#### SPV repackagings

BofAML also arranges SPV repackagings where a client wants an underlying receivable (typically a loan) to be repackaged (through an SPV repack programme established either by BofAML or by a third party) into note form (issued by an orphan SPV and secured over the underlying receivable). The note form may have different payment characteristics from the underlying receivable e.g. the note may be fixed rate whereas the underlying is floating rate, or the note may be in a different currency from the underlying (and the note may have an interest rate or an FX swap to achieve this).

#### BofAML Role

- Manufacturer
- Distributor – Intermediate
- Distributor – End Client

Notes:

For primary issuance of securitised products and for SPV repackagings, BofAML may act as manufacturer and distributor of this product.

# BofAML Product Governance Summary Information

Updated 11 April 2019

For secondary trading of securitised products, BofAML will act as distributor

## **The type of clients to whom the product is targeted**

This product may be appropriate for certain:

- Eligible Counterparties (ECP)
- Per Se Professionals
- Elective Professionals – Local Authorities opted up
- Elective Professionals – Retail opted up

It is anticipated that BofAML will only distribute the Securities to investors who meet the criteria of ECP and Professional clients (and, in the case of Elective Professional, in line with our policies and procedures). Each distributor to whom BofAML sells is responsible for undertaking its own target market assessment and determining appropriate distribution channels.

This product is NOT appropriate for (i.e., Negative Target Market):

- Retail – Local Authorities
- Retail – (other than Local Authorities)

## **Execution Channel**

- Execution-only

## Contingent Convertible (CoCos)

### Overview

Bank of America Merrill Lynch sells to clients (both at primary issuance and in the secondary market) contingent convertible/write down capital securities (also known as “Cocos”, Additional Tier 1 Write down capital securities enhanced capital notes (ECNs) and mandatory capital notes).

CoCos/ Write down capital securities (collectively, “Securities”) are fixed-income subordinated instruments that are issued (typically by a financial institution or an insurance company) as a bond and which are automatically converted into equity (Convertible Cocos) or written down, therefore providing loss-absorbing capital, if a pre-specified trigger event occurs.

### BofAML Role

- Manufacturer
- Distributor – Intermediate
- Distributor – End Client

### Notes:

For primary issuance of covered bonds, BofAML may act as manufacturer and distributor of this product.

For secondary trading of covered bonds, BofAML will act as distributor

### The type of clients to whom the product is targeted

This product may be appropriate for certain:

- Eligible Counterparties (ECP)
- Per Se Professionals
- Elective Professionals – Local Authorities opted up
- Elective Professionals – Retail opted up

It is anticipated that BofAML will only distribute the Securities to investors who meet the criteria of ECP and Professional Clients (and, in the case of Elective Professionals, in line with our policies and procedures). Each distributor to whom BofAML sells is responsible for undertaking its own target market assessment and determining appropriate distribution channels.

Negative Target Market of Retail Investors restricted pursuant to the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015

### Execution Channel

- Advised
- Discretionary
- Execution-only

## Commodity-Linked Structured Products

### Overview

Bank of America Merrill Lynch offers clients a variety of Commodity Linked Notes, a debt security with coupon/payoff that references a commodity underlying.

Commodity Linked Notes offer customized payoff profiles contingent on the level of a variety of commodity underlying. Those payoffs depend on a variety of features such as maturity, expiry, strike, payment frequencies, barriers and other features that meet the needs of our clients. This category includes notes, warrants, and certificates.

### BofAML Role

- Manufacturer
- Distributor – End Client

Notes:

BofAML acts as manufacturer and distributor of this product. The party BofAML faces is either the Intermediary or Institutional Investor.

### The type of clients to whom the product is targeted

This product may be appropriate for certain:

- Eligible Counterparties (ECP)
- Per Se Professionals
- Elective Professionals – Local Authorities opted up
- Elective Professionals – Retail opted up

No negative target market client type has been identified.

It is anticipated that BofAML will only distribute these products to investors who meet the criteria of ECP and Professional Clients (and, in the case of Elective Professionals, in line with our policies and procedures). Each distributor to whom BofAML sells is responsible for undertaking its own target market assessment and determining appropriate distribution channels.

### Execution Channel

- Execution-only

## Commodity Futures

### Overview

Bank of America Merrill Lynch offers clients a variety of Commodity Futures.

A commodity future is a contract where the client agrees to buy or sell a commodity on a future date at a price specified today. A futures contract differs from a forward contract in that the futures contract is a standardized contract written by a clearing house that operates an exchange where the contract can be bought and sold. Typically commodity futures are used to hedge against the price of the commodity, and have been traded since the 19<sup>th</sup> century.

### BofAML Role

- Distributor – End Client

Notes:

BofAML acts as distributor of this product. Commodity Futures are standardized contracts written by a clearing house. The contracts are cleared and therefore BofAML faces the exchange when transacting Commodity Futures with a client. Commodity Futures contracts with same underlying and maturity are fungible.

### The type of clients to whom the product is targeted

This product may be appropriate for certain:

- Eligible Counterparties (ECP)
- Per Se Professionals
- Elective Professionals – Local Authorities opted up
- Elective Professionals – Retail opted up

This product is NOT appropriate for (i.e., Negative Target Market):

- Retail – Local Authorities
- Retail – (other than Local Authorities)

### Execution Channel

- Execution-only



## **FICC Securitized/Structured Products (Notes, Certificates and Warrants)**

### **Overview**

Bank of America Merrill Lynch offers clients a variety of Structured Notes consisting of debt securities with coupons/payoffs specifically tailored to meet an investor's risk profile.

The payoff profiles can reference a wide variety of underlying asset classes, including interest rates, commodities, FX and equity products. These payoffs depend on a variety of features such as maturity, expiry, strike, payment frequencies, barriers and other features that meet the needs of our clients. This category includes notes, warrants, and certificates.

### **BofAML Role**

- Manufacturer
- Distributor – End Client

Notes:

BofAML acts as both a manufacturer and distributor of Securitized/Structured Products.

BofAML does not distribute Securitized/Structured Products directly to Retail clients.

Where BofAML acts as a “Distributor – End Client”, then such End Client must be an Eligible Counterparty or Professional Counterparty only. There should be no onward distribution and such counterparties are deemed to confirm that they will not distribute or on sell the Instruments to any other party and that they are not a discretionary asset manager managing retail accounts.

Where BofAML acts as a manufacturer only, then distribution is via a third-party distributor and therefore is done in accordance with BofAML's associated internal policy, “12.96 Global Markets Third Party Distribution of Structured Products”, and associated procedures and processes. This policy stipulates additional requirements (E.g. requirements for incremental due diligence of distributors, distribution agreements, stress-testing, PRIIPs KIDs and more detailed granularity specific to target market assessments). As a consequence if you are considering to undertake any such activity in relation to a BofAML product you will need to contact the relevant BofAML sales-person to discuss arrangements and obtain explicit consent in order to do so.

### **The type of clients to whom the product is targeted**

This product may be appropriate for certain:

- Eligible Counterparties (ECP)
- Per Se Professionals
- Elective Professionals – Local Authorities opted up
- Elective Professionals – Retail opted up

Note: BofAML does not distribute these products directly to Retail clients. Where BofAML acts as a manufacturer only, then distribution is via a third-party distributor and therefore it is undertaken in accordance with BofAML's associated policy, “12.96 Global Markets Third Party Distribution of Structured Products”, and associated procedures and processes (“3PD processes”). Subject to such policy and procedure requirements this product may in addition be appropriate for discretionary asset manager managing retail accounts and for:

- Retail – Local Authorities

# BofAML Product Governance Summary Information

Updated 11 April 2019

- Retail – (other than Local Authorities)

## **Execution Channel**

- Advised
- Discretionary
- Execution-only