

# **BofA Securities Inducements Policy Summary**

## **Version 2.3**

Last revised April 2022

"Bank of America" and "BofA Securities" are the marketing names used by the Global Banking and Global Markets divisions of Bank of America Corporation. Lending, other commercial banking activities, and trading in certain financial instruments are performed globally by banking affiliates of Bank of America Corporation, including Bank of America, N.A., Member FDIC. Trading in securities and financial instruments, and strategic advisory, and other investment banking activities, are performed globally by investment banking affiliates of Bank of America Corporation ("Investment Banking Affiliates"), including, in the United States, BofA Securities, Inc. and Merrill Lynch Professional Clearing Corp., both of which are registered broker-dealers and Members of [SIPC](#), and, in other jurisdictions, by locally registered entities. BofA Securities, Inc. and Merrill Lynch Professional Clearing Corp. are registered as futures commission merchants with the CFTC and are members of the NFA. Investment products offered by Investment Banking Affiliates: Are Not FDIC Insured \* May Lose Value \* Are Not Bank Guaranteed.

## Introduction

This BofA Securities Inducements Policy Summary forms part of the [BofA Securities General Terms & Conditions of Business](#) available on the [BofA MiFID II Website](#)

BofA Securities group entities set out in the BofA Securities Entities List (each a “Relevant Entity” ) 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 and UK based investment firms, such as MLI and BofASE, must also comply with requirements in relation to accepting and retaining fees, commissions or any monetary or non-monetary benefits in connection with the provision of an investment or an ancillary service.

Under MiFID II, inducements generally refer to incentives which may be provided in connection with the provision of an investment or ancillary service (such as investment research or sales market commentary) to a client.

This document summarises the requirements of Applicable Rules which implement Article 24(9) of the European Provisions and UK Provisions of MiFID II, including COBS 2.3A of the FCA Rules, and sets out how these apply to the dealings of a Relevant Entity with its clients.

## Requirements

- A. A Relevant Entity, in connection with the provision of an investment or ancillary service to a client, pays or is paid any fee or commission, or provides or is provided with any non-monetary benefit, to or by a third party (any party other than the client or a person acting on behalf of the client)**

MiFID II prohibits the receipt and retention of all monetary and non-monetary benefits from any party (other than the client or a person acting on behalf of the client), or services which could be construed as being an inducement, in connection with the provision of an investment service or an ancillary service to the client unless, in the case of non-monetary benefits, they are considered to be minor in nature. However, the following may be permissible provided that the conditions set out below are adhered to:

- (i) The Relevant Entity may accept a payment or receive a fee, commission or non-monetary benefit paid or provided by any third party in relation to in-scope services provided to a client
- (ii) The Relevant Entity may also pay or provide a fee, commission or non-monetary benefit to any third party in relation to in-scope services provided to a client

In both circumstances, the following conditions must be met in relation to the in-scope services provided to the client:

- (i) The payment or benefit provided is designed to enhance the quality of the service to the client
- (ii) The payment or benefit does not impair compliance with the Relevant Entity's duty to act honestly, fairly and professionally and in accordance with the best interests of its clients; and
- (iii) The payment or benefit is disclosed to the client

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 Relevant Entity's duties to act honestly, fairly and professionally in accordance with the best interests of its clients, is not subject to the above inducement restriction or inducement disclosure requirements

## Disclosures

Prior to the provision of the relevant service the Relevant Entity is required to clearly disclose information related to all costs and charges associated with investment and ancillary services. Disclosure of inducements referred to above must be made before the service is provided and must be fair, clear and not misleading

### **B. A Relevant Entity provides execution, research or other benefits or services to clients**

Relevant Entities providing both execution services and other benefits or services to in-scope EEA and UK investment managers and other in-scope clients shall identify separate charges for execution services that only reflect the cost of executing the transaction. The provision of each other benefit or service, including Research, by the Relevant Entity to such clients will be subject to a separately identifiable charge which shall not be influenced or conditioned by levels of payment for execution services.

#### **Labelling of research, communications and other Materials**

It is important to note that although the Relevant Entity might categorise material or service as non-substantive or as market colour, this does not necessarily mean that the material or service can or will be categorized by the recipient as a minor non-monetary benefit. MiFID II places an obligation on in-scope EEA and UK investment managers and other in-scope clients to categorise the content they receive from the Relevant Entity themselves.