



## **Instruction for giving and receiving of Inducements in SEB Fund Services S.A.**

Adopted by the Board of Directors of SEB Fund Services S.A.  
on 20 September 2011

Reviewed and re-adopted by the Board of Directors of SEB Fund Services S.A.  
on 30 September 2015

This instruction applies to SEB Fund Services S.A.  
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Responsible :	Hema R. Jewootah	Compliance
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## Inducements

### 1. Introduction

- 1.1 An “inducement”, broadly speaking, 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 – for example, a payment made by an investment firm to somebody that brings a transaction or 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.
- 1.2 MiFID’s provisions relating to the protection of clients’ interests restrict firms which provide investment services from giving or receiving inducements in relation to the provision of investment services to their clients, except under permitted conditions.
- 1.3 Directive 2009/65/EC of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (the “UCITS Directive”) and the Law of 17 December 2010 transposing the UCITS Directive into Luxembourg law as well as the Directive 2011/61/UE of the European Parliament and of the council of 8 June 2011 on Alternative Investment Fund Managers (AIFMD) transposed in to Luxembourg law within in the Law of 12 July 2013 (“2013 Law”) on Alternative Investment Fund Managers require that a management company acts honestly and fairly in conducting its business activities in the best interest of the UCITS and AIFs or the investors of the AIFs it manages and the integrity of the market. They further provide that a management company tries to avoid conflicts of interests, and when they cannot be avoided, ensures that the UCITS and the AIFs it manages are treated fairly.

According to Directive 2010/43/EU implementing the UCITS Directive (the “Management Company Directive”) and CSSF Regulation 10-4 transposing the Management Company Directive into Luxembourg law one area likely to create potential conflicts of interest is when a firm gives or receives payments or other types of benefits (i.e. goods or services), in relation to a service provided to the client (“inducements”). For the purpose of this Instruction the “client” is here to be understood as the investor into one of the investment funds under management of SEB Fund Services S.A (the “Company”).

- 1.4 SEB Fund Services S.A. (SEB FS) strives to ensure that in providing services to its clients, it acts at all times in an honest, fair and professional manner, and in their best interests of the Funds it manages and their clients. Save where the conditions set out in this instruction are met, there is a risk that the payment or receipt of an inducement may tend to influence either SEB 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. The purpose of this instruction is to ensure that this does not happen.



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### 2. Definitions

In this instruction, the following terms shall have the meanings ascribed to them below:

<b>Client</b>	<ul style="list-style-type: none"><li>- unit/ share holder in funds managed by the Management Company;</li><li>- Could also be another Fund Management Company, for whom the Fund Management Company provides services. Clients to which SEB FS provides Fund Management Services (including, the unit-holders of the funds involved);</li><li>- Internal and external related parties of SEB Fund Services S.A.</li></ul>
<b>Inducement</b>	Any fee or commission, or non-monetary benefit, including the provision of funding on anything other than arm's length terms, which any part of SEB Fund Services S.A. pays to, or receives from, a third party (including another legal entity within the SEB Group) in relation to the provision of a Covered Service to a Client.
<b>Covered Service</b>	The SEB services which are covered by this instruction, namely Fund Management Services.
<b>Funds</b>	Any type of fund, i.e. UCITS, UCI, SIF, AIF and SICAV (statutory form) and FCP (contractual form)
<b>Fund Management Services</b>	The services which SEB FS provides to UCITS, non-UCITS and AIFs which they manage.
<b>SEB Group</b>	Skandinaviska Enskilda Banken AB (publ) and all its subsidiaries.

### 3. Conditions under which inducements may be given and received

**3.1** SEB FS may not give or receive an Inducement in relation, except in the following circumstances, where the inducement:

- (i) Is paid or provided to or by the Fund/Client itself, or a person acting on the Funds/Clients' behalf; or
  - (ii) Is paid or provided to or by a third party where
    - (a) The circumstances do not impair SEB's observance of its duty to act in the best interests of the Client; and
    - (b) The existence, nature and amount of the Inducement (or, if the amount is not known, the method by which it will be calculated) is clearly disclosed to the Client before the service is provided, such that they can fully understand what they are agreeing to; and
    - (c) The payment or receipt of the inducement is designed to enhance the quality of the relevant service given to the Client.
- Or
- (iii) Is otherwise a proper fee which enables or is necessary for the provision on the Covered Service concerned, and which, by its nature, cannot give rise to a conflict of interest with SEB's duty to act honestly, fairly and professionally in the best interests of the Funds/Clients.



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**3.2** In assessing whether a specific set of circumstances meets the above conditions, the following factors shall be considered:

- (i) The nature of the service provided;
- (ii) The expected benefits of the arrangement to the client, SEB and any third party involved;
- (iii) Whether the arrangement could be seen as a potential incentive likely to change the proper behavior of SEB FS or any third party involved;
- (iv) The relationship between SEB and the other party(ies) involved in the Inducement; and
- (v) The nature of the Inducement itself.

## 4. Guidance

**4.1.** The circumstances of each case should be judged upon its merits, and where there is doubt, advice should be sought from Compliance. However the following guidance will assist in determining where the giving and receiving of an Inducement is permitted under this instruction.

### **4.2.** *Scope of fees, commissions and benefits falling within this instruction*

All fees and commissions paid or received by SEB FS in relation to Covered Services fall within the scope of this instruction. Payments between legal entities within the SEB Group are however covered by the rules regarding Inducements. In the vast majority of cases, the fee will be paid by (or the rebate given to) the Client itself or an agent acting on its behalf – and it will thus be permitted pursuant to 3.1 (i) above. However in cases where SEB FS is dealing with a person who appears to be acting on behalf of the Client, it must take care to ensure that this is indeed the case, and that the agent is fully accountable to the Clients for all aspects of the transaction.

Under no circumstances should SEB FS knowingly 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 SEB, without disclosing this to the Client.

Consideration should be given to the underlying reality of the case, and not solely to the terms used to describe it. For example, where a non-monetary benefit is provided, the mere fact that it is described as being a “service” will not by itself prevent the benefit from falling within this instruction. Where such a service is clearly linked to the ongoing provision of Covered Services to a Client, it will fall within this instruction.

The fact that the fee or non-monetary benefit involved is standard in the market does not necessarily mean that it is acceptable under this instruction. The EU Directives in this area seek to change market behavior in the area of Inducements, and care should be taken to ensure that all such arrangements are acceptable within the terms of this instruction.

Where the delivery of a Covered Service involves a chain of one or more parties financially regulated in the EEA, each party is responsible for meeting its own obligations; provided that SEB FS complies with this instruction, it may assume that the other parties meet their



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obligations under the relevant Directive. However, where such arrangements are obviously likely to influence or induce any intermediary involved to disregard the best interests of the Client, then SEB should (after discussing the matter with the relevant intermediary to clear up any misunderstandings) decline to enter into the relevant Covered Service.

### 4.3 *Disclosure to the client*

SEB always seeks to deal openly and honestly with all of its Clients in a manner which enables them to understand fully the nature of their transactions – and this consideration must underlie the manner in which Inducements are disclosed to Clients.

To fall within 3.1 (ii) (b) above the existence, nature and amount of the Inducement must be disclosed to the Client comprehensively and clearly in a manner which the Client can understand. The aim is to be completely transparent in demonstrating to the Client that SEB has provided the relevant Covered Service to the Client in an advantageous manner. In the same manner, SEB FS shall monitor that appointed Investment Managers follow the principles stated in this instruction and have the required policy and instructions on Inducement in place. In addition, measure shall be taken to receive information on the investment manager's arrangements on Inducements on a yearly basis.

Notwithstanding this, it is permissible to provide only summary information, so long as the Client is informed that full information will be made available on request, and the information is actually provided when requested. The key point is that the Client should be made aware of the existence of the inducement, and must be able to obtain sufficient information to enable it to take an informed judgement, in advance of committing to take the Covered Service, as to whether or not to proceed. Accordingly, the disclosure should be specific, not of a generic nature, and should not be contained in a mass of small print at the rear of a document.

### 4.4 *Designed to enhance the quality of service*

To fall within 3.1 (ii) © above, it is not necessary for the Inducement to have been designed in relation to the specific Client in question – it may be to the benefit of all potential Clients.

Other non-monetary benefits which may, depending upon the circumstances, meet the conditions in 3.1 (ii) (a) and (c) include the following\_

- Gifts and hospitality of reasonable value;
- Provision of promotional literature and free-post envelopes;
- Provision of speakers at events organized by a third party;
- Reimbursement of reasonable travel and accommodation costs in training exercises.

Particular care should be taken with promotional prizes, which under nearly all circumstances are likely to count as an Inducement. The closer to the sales process they apply, the greater the need to ensure that they are of an amount, and structured in such a way, as to be unlikely to influence the sales persons concerned to sell a product that is not best suited to the client's requirements. This is a consideration which applies for practical



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purposes as much within SEB itself as between SEB and its subsidiaries or other third parties, notwithstanding that in the former case the benefit is not formally an inducement under MiFID.

### 4.5 *Proper fees which enable or are necessary for the provision on the Covered Service concerned*

To fall within 3.1 (iii) above, the fees involved are likely to be custody costs, settlement fees, management fees, performance fees, marketing fees, standard bank charges on transactions relating to securities and other assets and entitlements of the Funds, exchange fees, regulatory levies, legal fees, remuneration on Central Administration, Registrar, Domiciliary and Principal Paying Agent fees, remuneration of the securities lending agent in relation to securities lending transactions, out of pocket fees (including without limitation telephone, telex, cable and postage expenses) incurred by the service providers and other agents appointed by the Fund, cost of printing, preparing, translating and distributing financial reports and prospectus, any registration fees, auditor`s fees, cost of publishing the offer price and redemption price and any notices to shareholders, all other customary administration and publication expenses arising from the Fund`s operations, all risk and compliance monitoring support, remuneration of the Board of Directors and officers of the Fund and their reasonable out of pocket expenses, insurance coverage, and reasonable travelling costs in connection with board meetings, other costs as may be stated in the prospectus and the like, which are usually incurred as a consequence of actions which the Client is required to take or wishes to be taken on its behalf, or which are in the best interests of the Client under the Covered Service concerned.

The fee structure of a specific Fund is described and disclosed to Clients in the prospectus of the relevant Fund. Depending on the Fund structure, a fund may pay to SEB FS operating and administrative expenses which cover administration and safe keeping of assets and in addition other operating and administrative expenses. In such case, the following fees and expenses are payable by the Fund:

- Brokerage fees and commissions,
- Interest and bank charges or other transactions related expenses such as taxes payable in relation to the transaction,
- Extraordinary expenses such as litigation and any tax, levy duty or similar charge and any unforeseen charges imposed on the sub funds or its assets that would not be considered as ordinary expenses,
- Payment of the Luxembourg tax d'abonnement.

Relating to the distribution of the Funds, SEB FS appoints a global distributor (normally the promoter of the fund), who may enter into sub distribution agreements. SEB FS may pay distribution fees to its distributor. In case the distributors may receive a distribution fee paid out of the management fee or in case the distribution fee is paid out of the Fund, it shall be disclosed in the prospectus of the Fund. Distributors may also receive subscription and redemption fees paid by the investors. Distribution and sub distributions agreements are normally made with regulated entities which comply with the requirements of MiFID regulations or similar requirements in case of non EU



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countries. Different levels of fees can be used based on total holdings of the distributor.

The investment management fees are also seen as proper fees and can be paid out of the management fees or out of the Fund (in such a case the investment management fees shall be disclosed in the prospectus).

Subscription/conversion and/or redemption fees may be applicable in accordance with the prospectus. These kind of fees is payable by the investors not the Fund.

In addition, appointed investment managers are allowed to receive other fee, commission or other income or non-monetary benefit from other sources in connection with its activities if the income is paid to SEB FS back to the relevant Fund and/or sub-fund and income paid is disclosed as described in accordance with 3.1 above. The appointed investment manager shall be responsible of negotiating any fee retrocession.

A fee or commission which does not fall clearly within this category could possibly influence SEB FS to act in a manner against the best interests of the Client – and if, on consideration, this is likely to be the result, the circumstances will fall outside 3. This type of fee shall be prohibited.

## 5. Records and Review

- 5.1 All agreements within the SEB Group including any kind of third party payment or benefit arrangements as described above are required to be in writing and shall be reviewed and agreed beforehand by the responsible business manager.
- 5.2 In situations where a payment or benefit arrangement has been reviewed and found to be compatible with the requirements on Inducements, the business unit involved is required to properly describe and document the basis on which it has been concluded not to have a material negative effect or disadvantage for the client. Such documentation shall at least describe the assessment of the following conditions:
  1. How the payment or benefit arrangement is designed to enhance the quality of the service,
  2. Why it is considered not to impair compliance with SEB FS's duty to act in the best interest of the client, and
  3. How a clear, prior disclosure is given to Clients.

Such documentation shall be filed together with the relevant agreement.

- 5.3 SEB Fund Services S.A. shall make appropriate arrangements for the relevant businesses within it to identify all inducements which it gives or receives (or which is given or received on its behalf) in connection with that business, other than where the inducement is paid or provided to or by the client itself or a person acting on its behalf. The details of each arrangement so identified shall be recorded in writing in an appropriate manner to be decided by Compliance from time to time. The record may specify inducements on a case-by-case basis or, more usually in connection to Investment Services, in a more general form if the inducements relate to covered services provided



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to a larger group of clients. In each such case, the record should identify the reason for the inducement being judged to be permissible under this instruction.

- 5.4 Compliance shall monitor observance of this instruction and report to the Board of Directors.
- 5.5 This instruction is reviewed and approved by the Board of Directors of SEB FS on a regular basis and at least once a year. This instruction shall be available for the investors on the website of SEB FS on [www.sebgroup.lu/corporations](http://www.sebgroup.lu/corporations) and institutions.