

OUR APPROACH TO INDUCEMENTS

Under Markets in Financial
Instruments Directive II (MiFID II)

This document has been written for third party European Economic Area (EEA) investment firms, such as investment advisers and portfolio managers. It describes our approach to inducements and the provision of research and other non-monetary benefits to these firms, in connection with investment or ancillary services that they provide on to their clients. We'd ask you to be aware that it's your responsibility to determine whether you are a third party EEA investment firm and whether this document is relevant to you.



Contents

Regulatory background	3
1. Day-to-day interactions with our sales contacts and colleagues	3
2. Investment research	4
3. Non-chargeable insights and expertise	4
a. Standard publications	4
b. Investment recommendations	4
c. Client meetings	4
4. Chargeable insights and expertise	5
5. Gifts, entertainment and hospitality	5
6. Reporting services	5
7. Activities related to Underwriting and Placing	5
8. Our charges	5
9. Complying with your internal inducements policies	6

Regulatory background

Markets in Financial Instruments Directive (Directive 2014/65/EU, “MiFID II”) seeks to regulate the provision of research and other inducements by European Economic Area (EEA) investment firms, such as Lloyds Bank Corporate Markets Wertpapierhandelsbank GmbH (“us”, “we” or “our”), to third party EEA investment firms, in connection with the provision of investment or ancillary services to those third party’s end clients, to prevent relevant conflicts of interest from arising.

Research for these purposes is categorised as a non-monetary benefit and should be paid for either out of the third party EEA investment firm’s own funds, or a research payment account with a defined budget that has been agreed or funded by the end clients.

The provision of relevant information (a) must be designed to enhance the quality of the relevant service to the client and (b) should not impair compliance with the investment firm’s duty to act honestly, fairly and professionally in accordance with the best interest of its clients. The existence, nature and amount of the payment or benefit referred to (a), or, where the amount cannot be ascertained, the method of calculating that amount, must be clearly disclosed to the client, in a manner that is comprehensive, accurate and understandable, prior to the provision of the relevant investment or ancillary service. Where applicable, the investment firm shall also inform the client on mechanisms for transferring to the client the fee, commission, monetary or non-monetary benefit received in relation to the provision of the investment or ancillary service.

Recipient third party EEA investment firms are responsible for determining whether the information they receive constitutes research and they must either refuse to accept the research or have a mechanism in place to pay for the research received.

It is our responsibility to ensure all the materials that we provide to third party EEA investment firm clients, subject to the MiFID II inducement rules, comply with such rules (in so far as they apply to us). We will not provide non-monetary benefits to these third parties unless it is carried out as part of a separate, chargeable service.

Other potential non-monetary benefits such as gifts, entertainment and hospitality, provided to third party EEA investment firm clients, may also be subject to MiFID II inducement rules. Where we are performing a service in conjunction with a third party, such as when we are supporting a primary bond issuance, we will disclose relevant fees that are paid or received by us for this service before providing any associated investment or ancillary product or service to you.

1. Day-to-day interactions with our sales contacts and colleagues

Your day-to-day interactions with your sales contacts, whether by phone or electronic communications, are to enable trade execution and support relationship building between us.

During these interactions, they may give you market commentary and other factual information that’s publicly available. They may also give views on the market, as well as trade ideas – however any supporting rationale will be brief and not based on substantive analysis, unless the views have already been made publicly available in one of our standard

publications. We believe these activities would either be connected to the execution service we provide, or would constitute an acceptable minor non-monetary benefit.

If you feel at any point that our interaction would constitute a non-monetary benefit, other than an acceptable minor non-monetary benefit, or does not comply with your internal inducement policies, please let us know immediately. We will then either stop providing this information or agree a fee with you for the relevant material or service.

2. Investment research

We do not have an independent research function and therefore do not produce investment research (as defined under MiFID II). As a result, investment research does not form part of the scope of this document.

3. Non-chargeable insights and expertise

Here are the most common circumstances where we believe the provision of relevant information would constitute an acceptable minor non-monetary benefit, such as where it's been made publicly available.

a. Standard publications

We produce a range of standard publications covering recent economic announcements and general market commentary. We consider that many of these publications do not meet the relevant criteria to be categorised as research under MiFID II inducement rules as these are generally short term in nature and do not contain substantive analysis. But where we consider that such publications do meet the criteria to be categorised as research under MiFID II inducement rules, our approach will be to judge these as acceptable minor non-monetary benefits and we will make them available publicly on our website. We won't charge for this unless it's requested by clients.

b. Investment recommendations

We may also produce investment recommendations – as defined by the Market Abuse Regulation. Where we consider that such investment recommendations also meet the criteria to be categorised as research under MiFID II, our approach will be the same as it is with standard publications, which is to judge these as acceptable minor non-monetary benefits and make them publicly available on our website. We won't charge for this unless it's requested by clients.

c. Client meetings

The primary purpose of client meetings is to develop our relationship with you. During the meeting we may discuss market and economic events, as well as share information about trends and flows in the market. These meetings are designed to be of mutual benefit and any relevant information or insight provided is incidental to the overall purpose of the meeting.

We will not look to provide you with any bespoke analysis, research and insight ("ARI") during the meeting, unless we've previously agreed this with you. If at any point during the meeting you believe the dialogue would constitute a non-monetary benefit, as defined by MiFID II, other than an acceptable minor non-monetary benefit, or does not comply with your internal inducement policies, please let us know immediately and we will either stop providing this information or you can agree a fee to be paid for this.

Ahead of any meetings your primary sales contact will:

- confirm the agenda and purpose of the meeting;
- confirm attendance of any other Commercial Banking Markets colleagues we'd like to invite, along with their purpose for attending.

We will periodically offer all relevant third party investment firm clients the ability to receive a macro-economic update in person from us. The material presented will be

publicly available free of charge before the meeting and will be generic in nature. We consider that this would constitute an acceptable minor non-monetary benefit.

4. **Chargeable insights and expertise**

We can provide you with bespoke ARI if you ask us to and we have a range of market, economic, and solution structuring experts who can provide this service for you. If you request this, it will be charged for separately based on the detail involved and the cost of providing this to you. This ARI may be material produced by us, or a session with one of our experts who will share their insight and expertise.

From time to time we may also present you with bespoke ARI proposals or ideas that we believe may be valuable for your business. We will provide you with an unsubstantiated summary of the ARI. If you would like to receive the full details then we would agree a separate fee for this service with you before starting work.

We will only provide you with bespoke analysis if we consider that it passes the quality enhancement test and complies with other MiFID II inducement rules which apply to us.

We can also set up meetings with economists as well as analysts who can give you a presentation that's tailored to your business. We would agree this with you, along with a charge for this in advance. You can find more information on how we put together our charges in Section 8 overleaf.

5. **Gifts, entertainment and hospitality**

You will need to determine whether any gifts, entertainment or hospitality we may offer would constitute a minor non-monetary benefit.

If you feel that they would constitute a non-monetary benefit from your perspective, or don't comply with your internal inducement policies, please let us know immediately.

6. **Reporting services**

We provide assisted and delegated reporting services to our clients. Given regulatory guidance, we consider that these services are ancillary to the execution services we provide to our clients and are not subject to MiFID II inducement rules.

7. **Activities related to Underwriting and Placing**

Where we offer you the opportunity to subscribe for bonds associated with a primary issuance and we have a distribution role within this, we will be transparent on the fees that we receive from the issuer for the services provided to them, as well as complying with other applicable inducement rules. This disclosure will be made in good time before the sale of the bonds.

8. **Our charges**

If we agree to provide a service to you that could be a non-monetary benefit – other than an acceptable minor non-monetary benefit – we will agree the charge for this with you in advance. This includes any bespoke ARIs and we will charge based on our estimate of the resources required.

Once we've agreed the charge with you, we'll send you a written service agreement which you'll need to sign before we start the work – and once we've sent you everything, we will invoice you around the end of the month.

This table gives an indication of our charges based on the amount of time needed to complete the service:

Estimated time required	Fee payable (excluding VAT)
Up to 2 hours	£500
2-4 hours	£1,000
4-6 hours	£1,500
6+ hours	Bespoke price to be agreed

9. Complying with your internal inducements policies

We understand some EEA investment firms may have internal inducement policies that require them to pay a fee for activities or publications outlined in this document that we have determined are not chargeable. Where this is the case, we will look to agree an annual fee with you for some or all of the activities outlined in this document.

Important Information

Calls may be monitored or recorded in case we need to check we have carried out your instructions correctly and to help improve our quality of service.

Your short identification, also known as a short ID, is a code unique to your business entity. If you have any questions or want more information about your short ID, please contact your sales representative.

This information sheet is intended to provide basic information regarding certain aspects of MiFID II and does not cover all aspects of MiFID II nor address specific requirements or obligations of either party in connection with them. No part of this document is intended to be advice (legal or otherwise) by us, MiFID II, or rules and regulations issued as a result thereof. Recipients should conduct their own independent enquiries and obtain their own professional, legal, regulatory, tax or accounting advice as appropriate. We do not accept liability for the content of this document, or for the consequences of any actions taken on the basis of the information provided. We recommend clients obtain their own advice to assist them in understanding how MiFID II will impact their business.

Please note that Lloyds Bank NEVER sends emails that ask for confidential or security information. We'll never send you an email asking for your log on details, or direct you to a webpage that asks for this information. Visit our online security pages for more details. Please note that any data sent via email is not secure and could be read by others.

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Our service promise

If you experience a problem, we will always try to resolve it as quickly as possible. Please bring it to the attention of any member of staff. Our complaints procedures are published at <http://commercialbanking.lloydsbank.com/important-information/commercial-banking-regulatory-information/>

Information correct as at 1 April 2019.