



The European Commission released today Delegated Acts regarding inducements and the use of research payments. These acts could impact investment managers and other entities that are subject to regulation by the European Commission.

The below information is a general overview of the information released today. We will provide a more in-depth analysis shortly.

Regarding the regulation of inducements received by investment firms and the use of research payments, the European Commission will require investment managers to disclose to their clients information regarding the costs and fees related to third-party research.

Research will not be considered an inducement under two circumstances:

- The research is paid in full directly by the investment manager through its own resources **or**
- The research is paid through a separately funded research payment account (RPA)

The use of RPAs will come with many conditions that must be met. These include:

- RPAs must be funded by a specific charge to clients
- Investment managers will need to regularly assess the research budget
- The quality of research purchased will need to be reviewed using specific criteria.
- The investment manager will need to disclose information about their research budget as well as estimated research charges per client.
- Research costs incurred for third-party research will need to be provided on an annual basis.
- Investment managers will not be able to charge more for research than their research budget amount.

Additionally, clients have the ability to ask their investment manager to provide information related to the research providers paid through an RPA, the total amount paid over a specified time frame, the benefits received and the amount spent versus the amount allocated in the research budget.