

INFORMATION ON CLIENT CATEGORISATION

MiFID II requires the Bank to categorize any natural or legal person to whom it provides or intends to provide an Investment Service, as follows:

- Retail Clients
- Professional Clients
- Eligible Counterparties

The Client categorization determines the level of protection the Client is entitled to receive from the Bank when the latter is providing Investment Services.

1. Retail Clients

Under MiFID II, Retail Clients are those which cannot be categorized as Professional Clients or Eligible Counterparties and receive the highest level of investor protection under MiFID II. Retail Clients cannot be presumed to possess adequate knowledge or experience to assess the risks they incur when receiving an Investment Service.

Retail Clients received the highest level of investor protection under MiFID II.

2. Elective Professional Clients

Elective Professional Clients are Retail Clients who electively request to be treated like Professional Clients.

The Bank is allowed to treat any of those Clients as Professional Clients, provided that the relevant criteria and procedure mentioned below are fulfilled. Those Clients will not, however, be presumed to possess market knowledge and experience comparable to that of Per-Se Professional Clients.

Any such waiver of the protection afforded by the standard conduct of business regime will be considered valid only if an adequate assessment of the expertise, experience and knowledge of the Client, undertaken by the Bank, gives reasonable assurance, in light of the nature of the transactions or services envisaged, that the Client is capable of making investment decisions and understanding the risks involved.

The fitness test applied to managers and directors of entities, licensed under directives in the financial field, could be regarded as an example of the assessment of expertise and knowledge. In the case of small entities, the person subject to that assessment shall be the person authorised to carry out transactions on behalf of the entity.

In the course of that assessment, as a minimum, two of the following criteria shall be satisfied:

- the Client has carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters;
- the size of the Client's financial instrument portfolio, defined as including cash deposits and financial instruments exceeds EUR 500 000;
- the Client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged.

3. "Per-se" Professional clients

Under MiFID II, Per-Se Professional Clients are Clients who possess the experience, knowledge and expertise to make their own investment decisions and to assess the risks involved and comply with the following criteria:

(1) Entities which are required to be authorised or regulated to operate in the financial markets.

The list below shall be understood as including all authorised entities carrying out the characteristic activities of the entities mentioned: entities authorised by a Member State under a directive, entities authorised or regulated by a Member State without reference to a directive,

and entities authorised or regulated by a third country:

- (a) Credit institutions;
- (b) Investment firms;
- (c) Other authorised or regulated financial institutions;
- (d) Insurance companies;
- (e) Collective investment schemes and management companies of such schemes;
- (f) Pension funds and management companies of such funds;
- (g) Commodity and commodity derivatives dealers;
- (h) Locals;
- (i) Other institutional investors;

(2) Large undertakings meeting two of the following size requirements on a company basis:

- balance sheet total: EUR 20 000 000
- net turnover: EUR 40 000 000
- own funds: EUR 2 000 000

(3) National and regional governments, including public bodies that manage public debt at national or regional level, Central Banks, international and supranational institutions such as the World Bank, the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organisations.

(4) Other institutional investors whose main activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions.

Professional Clients are subject to a lower level of investor protection compared to Retail Clients, but receive more protection compared to Eligible Counterparties.

4. Eligible Counterparties

Under MiFID II, Eligible counterparties are investment firms, credit institutions, insurance companies, UCITS and their management companies, pension funds and their management companies, other financial institutions authorised or regulated under Union law or under the national law of a Member State, national governments and their corresponding offices including public bodies that deal with public debt at national level, central banks and supranational organisations (i.e. Clients fulfilling any of the criteria stipulated in points (1) to (3) above). They are considered to be the most mature investors and are presumed to be able to assess and manage the risks involved in the service or product obtained.

The categorisation of Eligible Counterparty is only available for brokerage related services (reception, transmission and execution of orders). A Client cannot be treated as an Eligible Counterparty when is provided with an Investment Service of Investment Advice or Portfolio Management. Also, if the Client is a natural person, then this Client is not allowed to be treated or request to be treated as an Eligible Counterparty.

Overall, Eligible Counterparties receive the lowest level of protection compared to Retail and Professional Clients.

5. Client re-categorization

Clients are allowed to request to be categorized into a different client category in respect of a particular Investment Service, transaction or type of transaction or product, provided that they fulfil certain criteria.

A request for a different categorization must always be initiated by the Client and must be done in writing. The Bank will assess such a request and inform the Client of the outcome accordingly. It is noted that the Bank is not obliged to accept this request.

In case where conditions change so that the Client no longer fulfils the criteria of the existing Category, the Bank will re-categorize and inform that Client, accordingly.

Opting up from Retail Client to Professional Client (Elective Professional Client)

A Retail Client who wishes to be treated as a Professional Client (i.e. becoming an Elective Professional Client) needs to provide relevant evidence showing that two out of the three mentioned below criteria are satisfied:

- carried out transactions, in significant size, on the relevant market at an average frequency of 10 per quarter over the previous four quarters.
- the size of the Client's financial instrument portfolio, defined as including cash deposits and financial instruments exceeds EUR 500 000.
- you work or have worked in the financial sector for at least one year in a professional position, which requires knowledge of the transactions or services envisaged.

Those Clients may waive the benefit of the detailed rules of conduct only where the following procedure is followed:

- they must state in writing to the Bank that they wish to be treated as a Professional Client, either generally or in respect of a particular Investment Service or transaction, or type of transaction or product;
- the Bank must give them a clear written warning of the protections and investor compensation rights they may lose;
- they must state in writing, in a separate document from the contract, that they are aware of the consequences of losing such protections.

In case that the Client is categorised as a Professional Client in respect of a particular Investment Service or type of transaction or a product, less detailed disclosures will be provided in respect of the particular Investment Service or type of transaction or product.

It is stressed that by opting up to Professional Client, the Client waives the highest protection level and the provision of information offered to Retail Clients.

Opting up from Per-se Professional Client to Eligible Counterparty

Clients who are initially categorised as Per-se Professional Clients can request to be categorised as Eligible counterparties.

It is stressed that by opting up to Eligible Counterparty, this would mean a decrease in the level of investor protection and the provision of information offered to Professional Clients.

Opting up Warning Letter

If the Client chooses to opt up, then the Bank will provide the Client with an **"Opting up Warning Letter"** and the Client must read and acknowledge acceptance in writing, to waive the regulatory protections offered to the category from which the Client is opting out. The protections lost, amongst others, may relate to communications and the information and reports that the Bank provides its Clients with and the Client's entitlement to an investor compensation scheme.

Opting down from Eligible Counterparty to Professional Client or Retail Client, OR from Professional Client to Retail Client

Clients who consider that they are unable to assess or manage properly the risks involved, may request to opt down from their current category (i.e. Eligible Counterparty to Professional Client or Retail Client OR Professional Client to Retail Client) in order to receive a higher degree of protection and information.