



GROUPE UNION BANCAIRE PRIVÉE

Client categorisation

POLICY

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Client categorisation policy

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1. MiFID II presentation

MiFID II objectives

MiFID II is a European directive and its main objectives are as follows:

- **To harmonise the regulatory regime governing the provision of investment services:** the level of harmonisation required under MiFID II offers investors a high level of protection. In addition, it enables financial institutions to provide their services to the whole single market constituted by the European Union, by relying on the applicable supervision of the original member state of the specific institution.
- **To increase transparency and ensure a level playing field between financial markets:** by implementing rules related to the efficiency and transparency of financial markets, MiFID II aims to improve the quality of services provided to clients. The competition among execution venues will make services more efficient and less expensive.
- **To improve investor protection:** The establishment of specific rules applicable to the various categories of clients as defined by MiFID II allows a guarantee to the latter of a level of protection adapted to their own situation and their financial competences.

The scope of MiFID II

1.1.1. Investment services

MiFID II governs the activity of investment firms, regulated markets, MTFs, OTFs and credit institutions authorised to provide one or more investment services and/or which carry out one or more ancillary activities.

The following relevant investment services should be noted:

- reception and transmission of orders in relation to one or more financial instruments,
- portfolio management,
- investment advice.

1.1.2. Financial instruments

Not all financial instruments within the investment universe are affected by MiFID II. The directive is only applied to transactions relating to the following financial instruments:

- transferable securities,
- money-market instruments,
- units of collective investment undertakings,



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- options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivative instruments, financial indices or financial measures which may be settled physically or in cash,
- options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (other than by reason of default or other termination event),
- options, futures, swaps and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market and/or a multilateral trading facility (hereinafter an « MTF ») or an organised trading facility (hereinafter an « OTF »), except for wholesale energy products traded on an OTF that must be physically settled,
- options, futures, swaps, forwards and any other derivative contracts relating to commodities that can be physically settled, not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether they are cleared and settled by a recognised intermediary clearing house or which are subject to regular margin calls,
- derivative instruments for the transfer of credit risk,
- financial contracts for differences,
- options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission authorisations or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (other than by reason of default or other termination event), as well as any other derivative contracts relating to assets, rights, obligations, indices and measures, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market, a MTF or an OTF, which are cleared and settled by a recognised intermediary clearing house or which are subject to regular margin calls.
- emission allowances consisting of any units recognised for compliance with the requirements of Directive 2003.

2. Services provided by UBP ASSET MANAGEMENT (FRANCE)

UBP Asset Management (France) is an asset management company governed by the UCITS and AIFM Directive. Its main activities are related to the management of UCITS and AIFs and the marketing of Funds managed or promoted by the group. Therefore, the provisions relating to client protection under MIFID II and included in this procedure, apply to UBP Asset Management (France) as it provides the following investment services to its clients:

- investment advice,
- asset management through mandates,



3. Client categorisation

MiFID II distinguishes between three categories of clients:

- **eligible counterparties**,
- **professional clients**, consisting of clients who may be treated as professionals on request (opt-up professional clients) and clients considered to be professionals (per se professional clients),
- **retail clients** (non-professional clients).

The objective of client categorisation is to provide clients with varying levels of protection depending on their knowledge of financial instruments and services and their ability to manage the risks involved. Retail clients are provided with the highest level of protection. This type of client has access to relevant services and more comprehensive information depending on their profile which is assessed prior to categorisation. Eligible counterparties are afforded a lower degree of protection and it is the only category of clients not to benefit from the best execution policy.

Eligible counterparties

The following clients are considered as eligible counterparties:

- investment firms,
- credit institutions,
- insurance companies,
- undertakings for collective investment in transferable securities (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, central banks and supranational organisations.

Eligible counterparties are afforded reduced regulatory protection due to their knowledge, competence and financial situation.

For investment services currently offered by UBP ASSET MANAGEMENT (France) (mainly asset management through mandates and investment advice), the eligible counterparties referred to above are considered to be professional clients per se for the purpose of this categorisation policy.



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Professional clients

3.1.1. Definition

Professional client is a client who possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incurs. Therefore, this client is afforded a lower level of protection than a retail client.

As such a client is expected to be competent and know the markets, he or she only benefits from:

- an assessment of its investment objectives; this assessment enables the client to check in advance that the service provided is appropriate.
- an order execution policy specifying how transactions are carried out; this policy is updated annually.

There are two categories of professional clients:

- per se professional clients,
- elective or opt-up professional clients.

3.1.2. Per se professional clients

The following clients are considered as per se professional clients:

1. entities which are required to be accredited or regulated in order to operate on financial markets, such as:
 - credit institutions,
 - investment firms,
 - any other authorised or regulated financial institution,
 - insurance companies,
 - undertakings for collective investment in transferable securities and their management companies,
 - pension funds and their management companies: pension reserve funds, occupational retirement institutions and their management companies
 - commodity or commodity derivatives traders
 - futures or other financial instrument traders (cf. article L531-2, of the Financial and Monetary Code);
 - the Caisse des Dépôts et Consignations.
 - the State, the Caisse de la dette publique, the caisse d'amortissement de la dette sociale, Banque de France, the Institut d'émission des départements d'outre-mer, the Institut d'émission d'outre-mer.
 - other institutional investors who invest in financial instruments (such as investment companies, private equity companies, business innovation)
 - other foreign entities equivalent to those listed above (i.e. a foreign bank authorised in the USA) or entities which have professional client status in a member state of the EEA
 - public international financial institutions to which France or any other member state of the OECD are part of (i.e. the IMF, the EIB, the ECB)
2. large companies meeting two of the following criteria:
 - balance sheet total: EUR 20 million,
 - net turnover: EUR 40 million,
 - own funds: EUR 2 million,



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3. national or regional governments, public bodies that manage public debt, central banks, international or supranational institutions such as the World Bank, the IMF, the ECB, the EIB and any other similar international organisations,
4. any other institutional investors whose main activity is to invest in financial instruments, mainly entities dedicated to the securitisation of assets or other financing transactions.

UBP ASSET MANAGEMENT (FRANCE) offers its services solely to per se professional clients

3.1.3. Elective or opt-up professional clients

Clients who request to be treated as opt-up professional clients, other than those specified in the previous section, may be allowed to waive some of the protections offered by the conduct of business rules. Those clients must acknowledge that they have been informed by UBP ASSET MANAGEMENT (France) and that they are aware of the consequences of such waiver of available protections.

A retail client who requests to opt up may only be treated as such by UBP ASSET MANAGEMENT (FRANCE) after the relevant assessment and notification (cf. section 7. Change of category). These clients shall not, however, be presumed to possess market knowledge and experience comparable to that of the per se professional clients.

The waiver of the protection afforded to the opt-up client by the conduct of business rules shall be considered to be valid only if an adequate assessment of the expertise, experience and knowledge of the client 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.

Retail clients

Opt-down or retail clients

A retail client is a client who is not a professional client or an eligible counterparty, and includes those clients who requested to opt down, such as professional clients who requested in writing to be treated as retail clients.

UBP AM France does not deal with any retail clients. Therefore, UBP AM France, as a matter of policy, does not engage in any direct relationships with entities classified as retail clients and prefers to deal with their bank advisors when necessary.



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4. Level of protection

The client's level of protection depends firstly on the category it belongs to and secondly on its experience and knowledge of financial investments.

Main treatment differences between a retail and a professional client

Given the offer of services provided, UBP ASSET MANAGEMENT (FRANCE) only deals, in principle, with professional clients.

Clients who wish to opt up should note that the due diligence carried out by UBP ASSET MANAGEMENT (FRANCE) is reduced when dealing with a professional client, mainly in relation to the following matters:

- duty to provide information related to costs and fees: UBP ASSET MANAGEMENT (FRANCE) shall agree with professional clients to limit its obligations to provide information related to costs and fees in certain circumstances;
- when it assesses the appropriateness of a service to be provided, UBP ASSET MANAGEMENT (FRANCE) is authorised to presume that a professional client has the necessary level of experience and knowledge to assess the risks involved in the specific investment services, or the type of transactions or products for which the client is categorised as a professional client;
- when UBP ASSET MANAGEMENT (FRANCE) provides an investment service to a professional client, it is authorised to presume that concerning the products, the transactions and services for which it is classified as such, the Client has the required level of experience and the knowledge necessary to understand the risks involved in the transaction or the management of its portfolio;
- when UBP ASSET MANAGEMENT (FRANCE) provides an investment service to a professional client, it is authorised to presume that the Client is financially capable of bearing the risk linked to the investment based on its objectives.

5. Decisions relating to categorisation

Responsibility

It is the responsibility of UBP ASSET MANAGEMENT (FRANCE) to decide which category is appropriate for a client. The decision is taken depending on the information provided by the client and that collected by the company.

If the Client is unwilling to provide information or the information provided is incorrect, UBP ASSET MANAGEMENT (FRANCE) declines any responsibility related to the client categorisation and reserves the right to terminate the business relationship unilaterally.



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Duty to provide ulterior information to clients

It is the client's responsibility to inform UBP ASSET MANAGEMENT (FRANCE) of any change likely to affect this categorisation. A change of category may be provided through the process described below.

6. Informing the Client of his or her category

In general, before providing any service within the scope of MiFID II, UBP ASSET MANAGEMENT (FRANCE) informs the Client in writing of his or her assigned category. The duty to provide information is renewed in case of re-categorisation. The means of communication to the client vary depending on the type of Client (see below).

Once all reasonable measures are taken to ensure that the retail client who wishes to opt for the professional client category (opt-up) meets the criteria described below, UBP ASSET MANAGEMENT (FRANCE) shall proceed to the categorisation of the client as a professional client as follows:

- the client must state in writing that he or she wishes to be treated as a professional client,
- UBP ASSET MANAGEMENT (FRANCE) shall reply to this letter by giving the client a written warning of the protections and compensation rights that he or she could lose,
- the client must state in writing, that he or she is aware of the consequences of losing such protection.

7. Change of category

UBP ASSET MANAGEMENT (FRANCE) shall decide to change the category of a client:

- at the express request of the client,
- on its own initiative.

The following changes of category are authorised by MiFID II:

- A retail client who fulfils the conditions (see below) may be treated as an opt-up professional client.
- A professional client may be treated as a retail client.

Clients have no right to request to be classified in a category for which they do not fulfil the conditions. Therefore, a particular client shall never be considered as a per se professional client (or an eligible counterparty).

Change of category at the express request of the client

Conditions for changing from a retail client to a professional client (opt-up):

- the client carries 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.



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- 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.

Moving from the retail client category to the opt-up professional client category entails a decrease in the level of protection as indicated above. The Client shall also lose certain compensation rights.

UBP ASSET MANAGEMENT (FRANCE) may refuse a request to opt up particularly if the Client does not provide reasonable assurance that he or she has the necessary expertise, experience and knowledge to take his or her own investment decisions and understand the risks involved in light of the nature of the transactions and services envisaged.

A client may request to opt down from the professional client status by following the opt-down procedure.

Conditions required to opt down from professional client status to a retail client

A client should provide a written request to UBP ASSET MANAGEMENT to be re-categorised from professional client to retail client.

The change of category is effective only after a written notification from UBP ASSET MANAGEMENT (FRANCE) is addressed to the client.

Please note that UBP ASSET MANAGEMENT (FRANCE), given the offer of services provided, only deals, in principle, with professional clients. It cannot guarantee that the same trading relationship can be maintained, following a request to opt down and reserves the right to terminate the business relationship unilaterally.

Change of category at the initiative of UBP ASSET MANAGEMENT (France)

UBP ASSET MANAGEMENT (FRANCE) may decide, at its discretion, to change a category particularly if the client no longer fulfils the conditions of the specific category.

UBP ASSET MANAGEMENT (FRANCE) shall inform the client of the change in category by any means including orally.

This communication is provided only for information purposes and UBP ASSET MANAGEMENT (FRANCE) reserves the right to modify the client categorisation without obtaining prior consent from the client.