



GROUPE UNION BANCAIRE PRIVÉE

# **POLICY**

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## **Client classification**

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## Client classification policy

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## 1. Outline of the MiFID

### 1.1. MiFID's aims

The MiFID (“Markets in Financial Instruments Directive”) is a European Union directive with the following aims:

- To harmonise the rules governing investment services: the degree of harmonisation intended under the MiFID has the advantage of providing investors with a high level of protection. It also allows investment firms to provide their services across the European Union, applying the supervisory regulations applicable in the Member State from which a given firm originates.
- To increase transparency and competition on financial markets: by setting efficiency and transparency rules for the financial markets, the MiFID aims to improve the quality of the services provided. Opening up order-execution locations to competition leads to more efficient and cheaper services.
- To improve protection for investors: the specific rules that apply to the different client categories defined by the MiFID aim to ensure a level of protection suited to their specific situations and financial knowledge.

### 1.2. MiFID's scope

#### 1.2.1. Investment services

MiFID governs the activities of investment firms, regulated markets and authorised credit institutions which provide one or several investment services and/or conduct one or several investment activities.

The main investment services and activities concerned are the following:

- Reception and transmission of orders relating to one or several financial instruments;
- Portfolio management;
- Investment advisory.

#### 1.2.2. Financial instruments

The MiFID applies only to transactions on the following financial instruments:

- Transferable securities;
- Money market instruments;
- Collective investment scheme shares;
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivative instruments, financial indices or financial measures which may be settled physically or in cash;
- 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 (MTF);



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- Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled, and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognised clearing houses or are subject to regular margin calls;
- Derivative instruments used for transferring credit risk;
- Financial contracts for differences;
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances 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 (otherwise than by reason of a 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 or an MTF, are cleared and settled through recognised clearing houses or are subject to regular margin calls.

### 2. Services provided by UBI

Union Bancaire Gestion Institutionnelle (France) SAS (hereinafter "UBI") targets professional clients exclusively; the company is authorised by the AMF to provide the following services:

- Investment advisory;
- Asset management mandates;
- Portfolio management (UCITS or alternative investment funds);
- Distribution of the UBP Group's collective investment funds.

### 3. Client classification

The MiFID defines the three following client categories:

- **Eligible counterparties;**
- **Professional clients**, which is divided as follows:
  - o Opt-up professionals: clients treated as professionals upon their own request,
  - o Per-se professionals: clients automatically considered professionals;
- **Retail clients** (non-professional).

The purpose of client categorisation is to establish different levels of client protection depending on their knowledge of financial instruments and services and their risk tolerance. The highest level of protection goes to clients categorised as retail. This includes services suited to the client's risk profile (established beforehand) and more extensive information. At the other end of the scale, eligible counterparties receive the lowest level of protection; for example, they are the only category for which the best-execution obligation does not apply.

#### 3.1. Eligible counterparties

The following are considered eligible counterparties:



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- Investment firms,
- Credit institutions,
- Insurance companies,
- Open-ended investment funds (UCITS) and their management companies,
- Pension funds and their management companies,
- Other financial institutions authorised or regulated under EU law or the law of a Member State,
- Companies not subject to the MiFID pursuant to MiFID's Article 2, Paragraph 1, Points k and l,
- Sovereign countries' governments and their departments, including public bodies managing public debt, central banks and supranational organisations.

Eligible counterparties are subject to less regulatory protection due to their knowledge, their capabilities and their financial capacities. However, they are not entirely exempt, in particular they are bound by the organisational rules laid out in the MiFID.

**As regards investment services provided by UBI as at the date of the present policy (in particular portfolio management and investment advisory), the eligible counterparties listed above are considered professional clients for the purposes of the present client classification policy.**

### 3.2. Professional clients

#### 3.2.1. Definition

A 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. As such, it is provided a lower degree of protection than retail clients.

Being deemed skilled on and knowledgeable about the markets, the only protection it gets is:

- An assessment of its investment objectives. Such assessment will establish whether a service is appropriate for a given client before it is provided;
- An order-execution policy that defines the client's order-execution criteria. Such policy is updated annually.

There are two categories of professional client:

- Per se professional clients
- Opt-up professional clients

#### 3.2.2. Per se professional clients

The following are treated as per se professionals:

1. Entities which are required to be authorised or regulated to operate in the financial markets, i.e.:
  - Credit institutions,
  - Investment firms,
  - Other authorised or regulated financial institutions,
  - Insurance companies,
  - Collective investment schemes and their management companies,
  - Pension funds and their management companies,
  - Commodity and commodity derivatives dealers,



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- Local companies,
  - Other institutional investors.
2. Large undertakings meeting two of the following size requirements on a company basis:
- Balance sheet total: EUR 20 million,
  - Net turnover: EUR 40 million,
  - Own funds: EUR 2 million.
3. National and regional governments, public bodies that manage public debt, central banks, international and supranational institutions such as the World Bank, the IMF, the ECB, the EIB 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.

### **3.2.3. Opt-up professional clients**

By requesting opt-up professional status, retail clients may waive part of the protection afforded by best-execution rules.

Professional clients that have made an opt-up request may only be treated as opt-up professionals by UBI after the assessment and notification procedure described below has been completed.

#### ■ Client assessment

In order for applicants to be granted a lower level of protection than that afforded by best-execution regulations, an assessment of their skills, experience and knowledge must provide reasonable assurance that they are capable of taking the required investment decisions and understanding the risks they run, in relation to the sort of transactions they plan to carry out and the services they expect to use.

UBI is authorised to treat any such clients as an opt-up professionals, provided they satisfy at least two of the following criteria:

- The size of the client's financial instrument portfolio exceeds EUR 500 000,
- The client has carried out transactions, in significant size, on financial instruments at an average frequency of 10 per quarter over the previous four quarters,
- The client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of investment in financial instruments.

#### ■ Client notification

Once all reasonable steps have been taken to ensure the retail client who wishes to be granted opt-up professional status fulfils the criteria described above, UBI may start the procedure for classifying the client as professional, as follows:

- The client must state in writing that they wish to be treated as a professional client,



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- UBI writes back, giving them a clear written warning of the protections and investor compensation rights they may lose,
- The client must state in writing, that they are aware of the consequences of losing such protections.

### **3.3. Retail clients**

Retail clients are those who fall neither in the eligible counterparty nor in the professional clients categories, and include those who have applied for "opt-down" status, i.e. professional clients who have requested in writing to be treated as non-professional (retail) clients.

### **3.4. Main differences in treatment between retail and professional clients**

By virtue of its service offering, in principle UBI's clients are all professionals.

Clients wishing to apply for opt-up professional status must be warned that UBI's duties of diligence are less when dealing with a professional client, in particular with regard to the following:

- The duty of inform: under the MiFID, supplementary information about the company's structure, services and financial products on offer is mandatory only for retail investors;
- When UBI is providing professional clients with investment services (in particular investment advisory or portfolio management), it is authorised to assume that the clients possess the requisite level of experience and knowledge to understand the risks inherent in a given transaction or the management of their portfolio;
- When UBI is providing professional clients with investment advice, it is authorised to assume that the client has the financial means to bear the risk of such investment;
- UBI is only obliged to inform retail clients of any serious difficulties it may encounter that could affect order-execution.