

24/11/2022 | Compliance Department

CATEGORISATION POLICY

Version n° 6

Approved at the meeting of the Board of Directors of *Banque de Patrimoines Privés* on December the 1st, 2022

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1. PURPOSE

Banque de Patrimoines Privés, S.A. (hereafter, the “Bank”), shall proceed to a categorization of its clients when providing investment services and ancillary services to such clients under MiFID II (as defined below).

The Client categorization should reflect the level of knowledge, experience and ability of the client to understand the risks related to his/her investments in financial instruments and the Bank’s conduct of business rules shall be applied according to such client’s categorization.

The requirements as regards client categorization are laid down in the Directive 2004/39/EC (so called “MiFID I”) and reiterated within the Directive 2014/65/EU of the European Parliament and of the Council of May 15, 2014 (herein referred to as “MiFID II¹”) and by the relevant delegated act (e.g. Commission Delegated Regulation (EU) 2017/565 of April 25, 2016 (hereinafter referred to as “DR-MiFID II”).

MiFID II strengthens investor protection; ensures the integrity and freedom of the financial markets and guarantees market transparency within the EU.

This policy therefore aims to define a general framework for categorizing the Bank²’s clients according to their characteristics (i.e. retail, professional or eligible counterparties)

In this policy, reference to clients shall mean any natural or legal person to whom the Bank provides investment services or ancillary services under MiFID II.

¹ MiFID II has been transposed in Luxembourg by the law of May 30, 2018 and complemented by a Grand-ducal regulation of May 30, 2018.

² In accordance with the Business Model defined in the context of Investment Services regulatory context, the Bank offers only Discretionary Portfolio Management services (“DPM”) and Reception and Transmission of client Orders services (“RTO”) in connection with MiFID financial instruments.

2. PARTIES INVOLVED

- Business Units (i.e. Wealth Management, Depository Development & Advisory and Market Desk Departments)
- Compliance
- Professional Client Services (PCS)

The roles and the responsibilities of each party involved are detailed in the relevant procedure of the Bank.³

3. CLIENT CATEGORIZATION

3.1. Categorization

The Bank, also in line with the local applicable regulations, categorizes each client in the following three categories, each of which is granted a different level of protection which is reflected, in particular, in the obligations that the Bank is required to observe:

- retail (also called "non-professional");
- professional ; and
- eligible counterparty.

The Bank has decided to categorize its clients in terms of the overall relationship with the client, not only based on one transaction or one service provided in isolation. It is the responsibility of the Business Units to assign a category to the client by assessing the information provided by clients about their own activities.

3.1.1. Retail clients

Retail clients are a residual category including by default all persons that do not meet the criteria defining the categories of professional clients or eligible counterparties. However, this category may also include professional clients or eligible counterparties, who in general or in connection with specific services, transactions or financial instruments have not applied or have applied for and obtained by the Bank a downgrade to the category of retail clients.

Retail clients benefit from a higher level of protection than professional clients, who are supposed to have, for the types of investment services in respect of which they have been categorized as being professional clients, the necessary experience, knowledge and expertise to make their own investment decisions and properly assess the risks they incur in relation thereto.

Retail clients are afforded an additional level of protection compared to professional clients, in particular owing to the fact that the Bank must provide detailed information on the financial services and instruments offered.

3.1.2. Professional clients

According to MiFID II, a professional client is defined as a client who i) possesses the experience, knowledge and expertise to make his/her own investment decisions; and ii) is able to properly assess the risks that s/he incurs by investing in financial instruments.

Classifying a client as professional may have consequence of limited or partial application of certain protective provisions under MiFID II and DR-MiFID II.

It is possible to make a distinction between:

- clients which fall "*per se*" within the category of professional clients ("Professional Client(s) *per se*"); and
- retail clients who apply for and obtain to be treated as retail clients ("Elective Professional Client(s)").

A detailed list of professional clients *per se* is included in the above mentioned Bank's procedure and is based on the Bank's client data base and the most recurrent typologies.

The protection provided to professional clients takes into account the knowledge experience and expertise that such clients have in general with respect to the investment services they request or are being offered. Consequently, these clients are able to decide on their own which information they need to take their decisions on an informed basis.

3.1.3. Eligible counterparties

The category of eligible counterparties is a subset of that of professional clients, who have wide-ranging knowledge and experience in financial transactions, meaning that statutory safeguards apply only to a very limited extent.

These clients have the lowest level of protection since the Bank is allowed to assume that those acting on their behalf have sufficient experience, knowledge and expertise to make investment decisions and to adequately assess the risks involved therein.

A detailed list of clients failing within the category of eligible counterparties is set out in the Bank's procedure, based on the Bank's client data base and their most recurrent typologies.

3.2. Notification requirements

The Bank is bound to notify the clients in durable medium of the categorization assigned to them and to inform them (i) of their possible right to request a different categorization, and, in the latter case, (ii) of the consequences which such different categorization would have in terms of protection and rights under MiFID II.

3.3. Change of category

As above mentioned at the beginning of the business relationship, the Bank informs the client of the relevant classification.

Furthermore the Bank advises also of the client's right to request a change of categorization and of the impact this may have on the level of protection granted.

Upon request of the client, who may ask the Bank to be classified in a category offering more protection (e.g. from professional client to retail client) or in a category offering less protection (e.g. from retail client to professional client), the Bank assesses the client's competence, experience and knowledge and risk tolerance in order to establish if the request is acceptable or not.

The Bank informs the client of the outcome of its assessment and, if positive, of the protections and rights to indemnity that she/he could lose.

It is up to the client to inform the Bank of any changes that might affect his categorization.

Details of the documents and actions to be carried out for the changes in category (i.e. Upgrading or downgrading) are better defined in the relevant procedure.

4. LEGAL REFERENCES*

Directive 2014/65/EU of the European Parliament and of the Council of May 15, 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU ("MiFID II")
Commission Delegated Regulation (EU) 2017/565 of April 25, 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive
CSSF circular 12/552, as amended
Law of 30 May 2018 on markets in financial instrument, and transposing MiFID II into Luxembourg law
Grand-ducal Regulation of 30 May 2018 on the protection of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits

**non exhaustive*