

CLIENT CATEGORISATION POLICY

Version n° 7

Approved at the meeting of the Board of Directors of *Banque de Patrimoines Privés* on July 25th, 2024.

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1. PURPOSE

Banque de Patrimoines Privés S.A. (hereafter mentioned as “BPP” or the “Bank”) has developed processes to meet the legal requirements set forth in the Markets in Financial Instruments Directive 2014/65/EU and related laws and regulations (hereafter referred as “MIFID II”) and established a specific Client Categorization Policy (hereafter referred as the “Policy”).

MiFID II is the generic term referring to the revision of the Markets in Financial Instruments Directive (2004/39/EC) which was originally introduced in 2007, more commonly known as MiFID. Upon its application on 3 January 2018, the Directive (2014/65/EU) was transposed into Luxembourg National Law on May 30th, 2018.

BPP consistently refers to MiFID II where the “old” directive is concerned together with the package of rules (i.e. several CSSF Circulars and EU Delegated acts).

MIFID II requires credit institutions, investment firms, brokers and market infrastructures to act honestly and fairly, in a transparent way in conducting their business activities in the customer's¹ best interest and market integrity. This regulatory framework strengthens investor's protection and ensures the integrity and freedom of the financial markets.

MIFID II, among other objectives, provides different levels of protection according to the specific nature of each category of investors. The client classification determines:

1. The level of protection assigned to the customer to whom the Bank provides investment and/or ancillary services and related informative obligations.
2. The level of the intermediary responsibility for the services rendered.

Furthermore, to ensure better protection, MIFID II requires investment firms to take into account the different levels of knowledge, skills, and expertise from customers. In this context, this Policy sets forth the rules whereby the Bank shall categorize its customers in accordance with the legal framework applicable in Luxembourg.

¹ For the purposes of this document “customer” shall have the same meaning as “client”.

2. PARTIES INVOLVED

- Wealth Management
- Depositary Development & Advisory
- Market Desk
- DPM
- Legal and Compliance Department
- Client Services (CS)

The roles and the responsibilities of each party involved are detailed in the Client Categorization procedure² of the Bank.

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 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 of the Bank to assign a category to the client by assessing the information provided by clients about their own activities.

3.2. 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.

² The Client Categorization Procedure is available at [Compliance — SomCreand \(ca-wecredit.com\)](https://www.ca-wecredit.com/Compliance).

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 shall provide detailed information on the financial services and instruments offered.

3.3. 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 consequences 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 Elective Professional clients (“Elective Professional Client(s)”).

A detailed list of professional clients *per se* is included in the Bank’s Client Categorization Procedure and is based on the Bank’s client database 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.

3.4. Eligible counterparties

The eligible counterparties are professional investors; however, not all professional investors are automatically considered as eligible counterparties. These clients are supposed to 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 database and their most recurrent typologies.

3.5. 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.

3.6. Change of category

As mentioned above, 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/her categorization.

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

Besides, the Bank may unilaterally modify the client categorization due to an internal review. Details of the process are described in the Client Categorization 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

5. HISTORY

Version n°	Date	Author	Modification
4	25/08/2017	Bertrand Roche	
5	22/11/2019	Jérôme Goepfert	Adapted to new template - Global review – Insertion of a client categorization opting up or down request form
6	11/2022	Stelvio Solito	Update and review
7	07/2024	Jean-Louis FREY	Update and review