

Customer Classification under MiFID II

As of: April 2020

MiFID II (Art. 4 Sentence 1 No. 10-12) stipulates that customers be classified according to the following categories: retail clients, professional clients and eligible counterparties. In accordance with this fixed customer status, customers are to be supplied with appropriate and proportional information.

Private customers/small investors („non professional clients“)

This customer category affords the highest customer protection. All customers not categorized as professional clients fall into this category (Art. 4 Sentence 1 Z 11).

NATIXIS Pfandbriefbank AG does not do any business with retail clients. Therefore, the MiFID II requirements applicable to this customer group do not apply.

„Professional Clients“

These customers possess „sufficient knowledge, experience and know how“, can make their own investment decisions and can adequately assess the associated risks. According to the guidelines, the following legal entities can be deemed to be professional investors: credit institutes, investment companies, insurance companies, investment funds, pension funds, as well as very large (e.g. listed) companies as long as these exceed two of the following parameters:

- EUR 20 million balance sheet total
- EUR 40 million turnover
- EUR 2 Mio. EUR own capital

„Eligible counterparties“

Where securities services are provided to so-called Eligible Counterparties (e.g. Banks, insurance companies, investment companies, national governments), there are considerably less duties to be fulfilled. As with professional customers, eligible counterparties are such per se or by way of customer classification. Nevertheless, the customer can request the status of a small investor under the regulations.

The classification as Eligible Counterparty applies only where the following services are being rendered:

- Reception and transmission of orders on behalf of clients
- Execution of orders on behalf of clients
- Dealing on own account

Request for Reclassification

Upon the request of a customer, a reclassification can be agreed to. In this regard, there are two separate cases.

Opting in

Professional customers („per se“) / eligible counterparties request to be classified as non-professional / professional customers. The securities services provider must inform the customer of this option. If the request is agreed to, this must be documented in writing and is valid until a new agreement is made.

Opting out

Customers (new or those already classified as non-professional) wish to be treated as professional customers. Process: customer informs the provider of his request in writing. The provider examines whether the customer is aware that he will be losing his special protective status.

Opting-out Process:

1. The customer informs the investment company in writing that he would like to be classified as a professional customer either in general or in relation to a specific securities service or a specific type of business or product.
2. Examination of whether 2 of 3 criteria are fulfilled:
 - a. The customer has transacted on the relevant market an average of 10 transactions of significant volume pro quarter over the last four quarters.
 - b. The financial instrument portfolio of the customer, which by definition includes cash deposits and financial instruments, exceeds EUR 500,000.
 - c. The customer held a professional position in the financial sector for over a year, which presupposes knowledge of the planned transactions or services.
3. The investment company must clearly inform the customer in writing about the level of protection and investor compensation rights he will be losing.
4. The customer must confirm in writing, separate from any relevant contract, that he is aware of the consequences of the ensuing loss of protection.



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